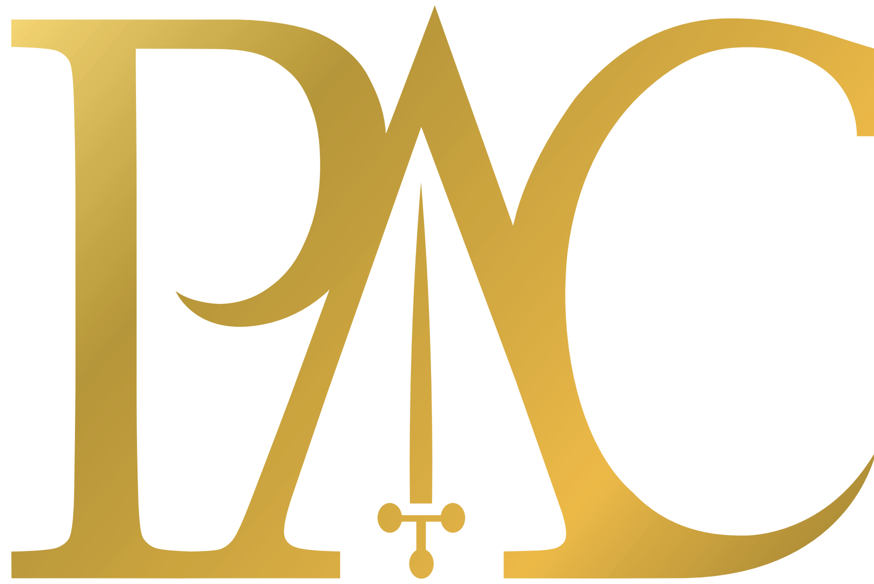

2007

ANNUAL REPORT AND ACCOUNTS

Prime Active Capital plc (formerly Oakhill Group plc)

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FINANCIAL SUMMARY

	2007	2006
	€'000	€'000
Revenue		
PAC Digimedia	**34,488**	35,977
PAC Telemedia	**144**	-
	34,632	35,977
Operating profit from continuing activities[(1)]		
PAC Digimedia	**2,575**	2,024
PAC Telemedia	**(158)**	-
	2,417	2,024
Centre costs including exceptional items	**(4,485)**	(1,257)
	(2,068)	767
(Loss)/profit after tax	**(2,201)**	139
(Loss)/earnings per share (cent)[(2)]	**(12.89)**	1.23
Adjusted earnings per share (cent)[(2)(3)(4)]	**7.45**	4.19
Net cash/(debt)	**7,805**	(3,826)
Equity	**22,574**	8,381

(1) 2006 comparatives include closure related costs of €0.334 million
(2) 2006 earnings per share of 0.25 cent and adjusted earnings per share of 0.84 cent as disclosed in the 2006 annual report, have been adjusted to take account of the one for five share consolidation approved by the shareholders at the extraordinary general meeting on 25 July 2007
(3) the original weighted average number of shares of 56.439 million has been adjusted pro rata to 11.288 million for this calculation
(4) adjusted earnings per share excludes exceptional costs relating to a corporate restructure in 2007 of €3.423 million and commercial print closure related costs in 2006 of €0.334 million, and assumes that the one for five share consolidation had taken place in 2006

A year of change

The 2007 year that this set of accounts covers was a year of some change for this Group. All of the Board members changed, all the executive management at Group changed, and lastly the name changed to Prime Active Capital plc. The operational companies of the former Oakhill were placed in the PAC Digimedia division.

PAC Digimedia

The performance of the second half of the year in the Digimedia businesses improved compared with the prior year and that was delivered by an unchanged management in the operational companies. That management has been, and is being, assisted by PAC Digimedia management in the UK supporting, not leading, those operations. The PAC Digimedia management focus on strategy and growth; growth in revenue, earnings and cash organically and by acquisition. The operational management run the companies.

The improved performance continues into this year, which has started strongly in H1, and it is a tribute to those management teams that they earned an EBITDA margin of 13% in 2007 in a difficult sector. This performance puts the PAC Digimedia companies firmly in the upper quartile of performance in that sector. PAC has committed to capital investment in the Digimedia division of between €2.5 million and €3 million this year and much of that has already been commissioned. This is a significant step up on previous years but the businesses and teams of the division warrant it.

Since the year end PAC Digimedia took a 15% shareholding in Media Square plc, an AIM listed international marketing communications group. A reorganisation has been on-going there for almost a year at this time, but it seems it is too early to tell whether a turnaround has been or will be achieved. Media Square has clearly some fine businesses and management but earns a fraction of what it should be delivering.

PAC Telemedia

PAC invested in October 2007 in Cellular Center, LLC, a start up chain of mobile phone stores in the USA, taking an initial 49% shareholding. Our partner is Robert Haulbrook, the former CEO of Meteor in Ireland. Robert Haulbrook managed the Irish mobile telephone company, Meteor, which was acquired by eircom plc for €420m and which has been such a singular success for that team.

By December 2007 we had an agreed strategy for the Cellular Center business which planned a significant increase in scale and ambition, and we increased our investment to an 80% shareholding to provide support for that. Cellular Center will continue to make start up losses in 2008 as it assembles its management team, develops its model and continues the store roll out. It is expected that the shareholders will fund those losses in proportion to their shareholdings.

We find that every organic store loses money for some months after opening as it secures and develops a foothold in the marketplace. In some cases we are opening in new malls that have yet to establish themselves, but we are getting opportunities in undeveloped territories which should become more valuable over time. Some stores will prove not to deliver commercial returns and we will close those as we go. At the end of June the Group will have some 30 stores.

Concluding remarks

This was a year of change for the Group, but nothing changed as much as the environment in which the company operates. This is now characterised by tight credit, squeezed margins and a global reduction in capital. Nobody enjoys an environment like this, but PAC is adequately financed for the opportunities contemplated by it at present, and has a determined and experienced operational management team at Group, with substantial public markets experience. This is a tremendous opportunity for PAC to grow and we intend to take it.

We have seen these circumstances before and we have been successful in them but none of us should underestimate the difficulty of the trading environment faced by any business in the next couple of years. Let me close by thanking the staff and management of the operating companies for their hard work and congratulate them on their performance.

Peter E. Lynch
Executive Chairman
19 June 2008

Prime Active Capital plc (PAC) manages a portfolio of companies with a view to growing them organically and through continued bolt on acquisitions. PAC is organised into two main business divisions: PAC Digimedia and PAC Telemedia. The divisional structure reflects the operational focus on specific industry sectors.

PAC Digimedia

PAC Digimedia is the digital media division which is an amalgamation of the managed services and books & journals divisions. This division has three business units operating in the UK: plastic cards, books & journals production and on-demand digital print and finishing. PAC Digimedia employs approximately 280 people. The central executive management of PAC Digimedia is charged with the management of the existing businesses as well as the development of the business organic and acquisition led growth strategy.

Business overview

The plastic cards business unit consists of two companies, PCC Limited and PCC Services Limited. The PCC companies are market leaders in the design, production, personalisation and distribution of plastic cards for all applications including gifting, loyalty, stored value, membership and mobile phone e-top up. In addition, a full range of card products and personalisation services for non-secure card applications encompassing plastic card-to-carrier matching, embossing, magnetic stripe encoding, secure labelling, automated insertion and direct/personalised mailings is provided. Providing card manufacture, print and personalisation services has enabled the business unit to build up an enviable list of tier one clients within the telecom, retail, payment and B2B industries.

The books & journals business unit encompasses Bell & Bain Limited, a specialist in the printing, binding and distribution of academic books and journals. Its customer base comprises publishers from the United Kingdom and throughout the world. Books and journals are produced by lithographic printing and high speed in-line digital print. The market in the United Kingdom for high quality books and journals has come under major price pressure from off-shore production facilities based in China and other eastern countries. This has led to reduced margin, however investment in machinery and major developments in work practice to improve efficiency have enabled the maintenance of an upper quartile margin position within this business unit in comparison with industry peers.

The on-demand digital print and finishing business unit is represented by Top Copy Image Centres Limited and is based in Leeds. This business unit specialises in on-demand low volume print manufacturing, personalisation, enclosing and distribution for a large number of retail and financial businesses throughout the United Kingdom.

Performance for the year ended 31 December 2007

Financial information

	2007	2006(1)
	€'000	€'000
Revenue	**34,488**	35,977
EBITDA(2)	**4,569**	4,349
EBITDA margin %	**13.2**	12.1
Operating profit	**2,575**	2,024
Operating margin %	**7.5**	5.6
Net interest(3)	**(664)**	(859)
Capital expenditure	**(1,492)**	(1,846)
Net operating assets(4)	**13,577**	14,207

(1) performance for the previous year is based on combining the results of the managed services and books & journals divisions
(2) earnings before interest, tax, depreciation and amortisation
(3) net interest comprises total finance income of €0.011 million less total finance costs of €0.675 million in 2007 and total finance income of €0.009 million less total finance costs of €0.868 million in 2006
(4) net operating assets includes property, plant and equipment, inventories, trade and other receivables and payables and excludes corporate tax, net debt and goodwill

During the year to end of December 2007, revenue declined by approximately 4%. This is attributed predominately to the closure of the loss making commercial print facility in October 2006. However EBITDA margin increased 1.1% on the subsequent reduced turnover. Operating profit margin also increased significantly as a result of improved working practices.

There has been exceptional growth in gift cards during the year with revenue growing from €3.602 million in 2006 to €5.901 million in 2007. PCC won a number of high-profile high street retail accounts to add to their impressive portfolio of customers.

Bell and Bain also enjoyed revenue growth, although its operating profit decreased, reflecting the competitiveness of the market and the continuing pressure on prices from overseas and other UK producers. The turnover from conventionally litho printed books and journals increased by 5.3% whereas sales of digitally produced versions increased by 101.7% and now represent 4.5% of total sales. The growth in revenue is mainly organic growth from existing customers with several new customers being attracted by the digital book production facility. This business continues to produce margins in the upper-quartile relative to its peers.

Top Copy's performance improved significantly on the previous year. Its market remains highly competitive as supply continues to outweigh demand.

Capital expenditure of €1.492 million enabled the division to further enhance its operational footprint.

PAC Telemedia

PAC Telemedia is the telecommunications division and currently comprises the Group's majority stake in Cellular Center, LLC, a Georgia, USA based chain of retail stores.

Business overview
Cellular Center is a premium retailer of mobile phones and accessories and is an authorised agent for Verizon Wireless offering its pre and post paid mobile telecommunication subscription services and wireless data products.

Cellular Center commenced business operations in May 2007 and was operating 22 retail stores by 31 December 2007 having acquired 10 stores and opened 12 stores in the intervening period.

Cellular Center's strategy is to rapidly grow its retail business by opening or acquiring retail stores in Georgia, Alabama, Texas and Florida.

Performance for the period 21 December 2007(1) to 31 December 2007
Financial information

	2007	2006(2)
	€'000	€'000
Revenue	**144**	-
EBITDA(3)	**(156)**	-
Operating loss	**(158)**	-
Net interest(4)	**2**	-
Capital expenditure	**-**	-
Net operating assets(5)	**131**	-

(1) date on which Cellular Center became a subsidiary
(2) as Cellular Center commenced operations during 2007 there is no prior year comparative data
(3) earnings before interest, tax, depreciation and amortisation
(4) net interest comprises total finance income of €0.002 million
(5) net operating assets includes property, plant and equipment, inventories, trade and other receivables and payables and excludes corporate tax, net debt, goodwill and financial instrument liability

The financial performance of the business for the period to 31 December 2007 was in line with expectations for a business start up of this nature.

Overview of results

Summary income statement

	2007 €'000	2006 €'000
Operating revenue	**34,632**	35,977
Operating expenses (excluding exceptional costs, depreciation, amortisation and other gains)	**(31,489)**	(32,870)
Earnings before interest, tax, depreciation and amortisation expense (EBITDA), exceptional costs and other gains	**3,143**	3,107
Depreciation and amortisation	**(2,004)**	(2,340)
Adjusted earnings before interest, tax (EBIT) and exceptional costs	**1,139**	767
Exceptional costs(1)(2)	**(3,423)**	-
Other gains	**216**	-
Net finance costs	**(278)**	(664)
Share of net (losses) of joint ventures accounted for using the equity method	**(308)**	-
(Loss)/profit before tax	**(2,654)**	103
Income tax credit	**453**	36
(Loss)/profit for the year	**(2,201)**	139
Loss attributable to minority interest	**31**	-
(Loss)/profit for the year attributable to members	**(2,170)**	139
Basic and diluted (loss)/earnings per share(3)	**(12.89)**	1.23

(1) the Group has adopted an income statement which seeks to highlight significant and one off items within the Group results for the year
(2) included in this figure is an amount for non-recurring reorganisation costs arising out of a corporate restructure in May 2007 and a charge in respect of share warrants issued at the same time
(3) the basic and diluted earnings per share as disclosed in the 2006 annual report have been adjusted to take account of the one for five share consolidation approved by the shareholders at the Extraordinary General Meeting on 25 July 2007 as detailed in note 27 on page 53 of the consolidated financial statements

Revenue
Group revenue in 2007 amounted to €34.632 million, a 3.7% decrease on 2006 revenue, primarily due to the closure of the commercial print business in September 2006. Group revenue includes a small contribution from Cellular Center, LLC, a majority stake in which was acquired on 21 December 2007.

Operating profit before interest, taxation and exceptional costs
One of the Group's key performance measures for its overall business is adjusted EBIT defined as operating profit before interest, taxation and exceptional costs. Adjusted EBIT amounted to €1.139 million in 2007, compared to €0.767 million in the previous year. This reflected the improved performance in the PAC Digimedia division.

Exceptional costs
The corporate reorganisation in May 2007 resulted in a change to the executive management team and the creation and issuing of warrants in respect of new ordinary shares. Certain one off charges arose as a result of the reorganisation and, as per IFRS 2, the fair value of the warrants are recognised as an expense over the vesting period resulting in a charge to the income statement in 2007. The summary below details these charges.

	2007 €'000	2006 €'000
Reorganisation costs	**1,165**	-
Warrants	**2,258**	-
	3,423	-

Net financial expense
The net financial expense for 2007 was €0.278 million compared to €0.664 million in 2006. The underlying capital base of the Group changed during 2007 following the share placing in May 2007 and the subsequent placing in July 2007. The aggregate cash raised, net of expenses, as a result of the two share placings was €16.19 million.

Minority interest
The minority share of loss after tax for 2007 amounted to €0.031 million. The minority arose following the acquisition of the majority stake in Cellular Center. There was no minority interest in the Group in 2006.

Earnings per share
The adjusted fully diluted earnings per share for 2007 is 7.45 cent, a 77.8 % increase on 2006. Adjusted earnings per share excludes exceptional costs in 2007 and commercial print closure related costs in 2006 and assumes that the one for five share consolidation had taken place in 2006. Fully diluted earnings per share, before such adjustments, amounted to a loss of 12.89 cent compared to earnings of 1.23 cent in 2006, based on a like for like comparison as if the share consolidation had taken place in 2006.

Cash flow and net debt

At 31 December 2007 the Group had net cash of €7.805 million compared to net debt of €3.826 million at 31 December 2006. The main contributing factors to the improvement were the share placings in May and July 2007. The average month end net cash during 2007 was €1.174 million. (2006: net debt €5.387 million.)

Significant outflows in the year included net payments totalling €1.537 million in respect of capital expenditure of which €1.492 million was in the digital media division and the remainder in the UK and Ireland centre. Funding for capital expenditure was provided from existing resources. Acquisitions in the year amounted to €3.423 million representing the aggregate consideration and costs of the acquisition of the majority stake in Cellular Center, less the cash acquired as part of the acquisition.

The table below summarises the cash flow for the year.

	2007	2006
	€'000	€'000
Operating (loss)/profit	**(2,068)**	767
Other operating costs-warrants	**2,258**	-
Depreciation	**2,004**	2,340
Other financial assets at fair value through profit or loss	**(261)**	-
Curtailment gain on defined benefit pension scheme	**(125)**	-
Net working capital including pension and loss on disposals	**(1,055)**	287
Operating cash flow	**753**	3,394
Net interest paid	**(294)**	(666)
Tax paid	**(11)**	(17)
Capital expenditure net (including leased assets)	**(1,383)**	(1,792)
Net proceeds from share placing	**16,190**	-
Payments for investments in subsidiaries	**(3,423)**	-
	11,832	919
Opening net (debt)	**(3,826)**	(4,649)
Currency	**(201)**	(96)
Closing net cash/(debt)	**7,805**	(3,826)

Net debt as at 31 December 2007 is analysed as follows:

	PAC Digimedia €'000	PAC Telemedia €'000	Centre €'000	Group €'000
Cash	**1,376**	**1,389**	**10,426**	**13,191**
Term debt	**(2,340)**	**-**	**-**	**(2,340)**
Asset finance	**(3,046)**	**-**	**-**	**(3,046)**
	(4,010)	**1,389**	**10,426**	**7,805**

At 31 December 2006 there were committed borrowing facilities available for drawdown of €2.7 million in the digital media division. This debt was secured on the assets of the division. In 2007, the digital media division replaced this cash flow financing facility with an ordinary overdraft facility.

Treasury policy and management

The Group has a central treasury function which manages financial risk and is governed by policies and guidelines approved by the Board of Directors. The principal objective of these policies and guidelines is the minimisation of financial risk at reasonable cost. It is Group policy to manage currency and interest rate risk on a non-speculative basis.

The Group's reporting currency is the euro. Exposures, primarily to sterling and the US dollar, arise in the course of ordinary trading. The Group's policy is to reduce balance sheet exposure by matching common currency assets with common currency borrowings in so far as this is practicable and to hedge significant foreign currency transaction exposures arising from trading or capital investment where appropriate. The Group does not hedge accounting translation exposure.

The Group uses interest rate swaps, options and collars from time to time to reduce interest rate risks, but did not do so in 2007.

BOARD OF DIRECTORS

Peter E. Lynch
Executive Chairman (aged 50)
Peter E. Lynch has been Executive Chairman of Prime Active Capital plc since May 2007. Prior to joining Prime Active Capital plc, Peter was chief financial officer of eircom, group finance director of Adare Printing Group plc and managing director of ABN AMRO Hoare Govett Stockbrokers. He is a Fellow of the Institute of Chartered Accountants in Ireland and a member of the Securities Institute.

John Doris
Non-executive Director (aged 61)
John Doris is principal of Meridian Business Advisors Limited, a Dublin based consultancy firm. He is a director of a number of companies in the manufacturing, distribution and technology sectors. He joined the board in May 2007.

Anne Keogh
Non-executive Director (aged 42)
Anne Keogh is a management consultant and was previously managing director of NeedaHotel.com. She joined the board in December 2007.

BOARD COMMITTEES

Audit committee
Anne Keogh (Chairman)
John Doris

Nominations committee
Peter E. Lynch (Chairman)
John Doris

Remuneration committee
John Doris (Chairman)
Anne Keogh

The Directors present their report and the financial statements of the Company and the Group for the year ended 31 December 2007.

Principal activity

The principal activities for most of 2007 were the provision of card services, transactional mail services, card production solution, the printing of marketing materials, related fulfilment services and academic books and journals. Following a corporate reorganisation and review, the emphasis of the Company changed such that the Company has been repositioned as an investment company, which at the year end was focused on a small portfolio of companies operating within the digital media and telecommunications industries. The primary goal of the Company is to achieve value for shareholders by improving the financial performance of investee companies by growing them through the provision of operational expertise either organically or through continued bolt on acquisition.

During the year, the Company acquired a majority interest in Cellular Center, LLC, a Georgia, USA based chain of retail stores engaged in the sale of mobile phones and related products and services. Further details of this investment are set out in the business review on page 6 and in note 33 on pages 58 and 59 of the consolidated financial statements.

The Company is continuing to source additional investments in accordance with statements made previously.

Review of business

A review of the business, future developments and key performance indicators of the Group is set out in the Chairman's Statement on pages 3 to 4 and the Business and Financial Review on pages 5 to 9.

Share capital

During the year 56,966,913 new ordinary shares were placed in two separate placings raising a total of €16.19 million net of expenses. Subsequently, at an Extraordinary General Meeting in July 2007, Shareholders approved the consolidation of existing ordinary shares on the basis of one new ordinary share for every five existing ordinary shares. Details of these transactions are set out in note 27 on page 53 of the consolidated financial statements.

Risks and uncertainties

The principal risks and uncertainties faced by the Group's businesses relate to increasingly competitive markets, continuing downward price pressures and the macroeconomic environment in Britain and the USA where the Group's trading activities take place. The Group is sensitive to economic conditions in these markets including economic growth, interest rates, inflation, unemployment and demographic trends.

Financial risk management

Details of the Group's financial risk management policies and risks are addressed in the financial review under 'treasury policy and management' on page 9 and in note 3 on pages 34 to 36 of the consolidated financial statements.

Results and dividend

A loss for the financial year of €2.201 million was incurred, of which €2.170 million is attributable to members of the Company as set out in the consolidated income statement on page 22 and in the related notes.

The Directors do not recommend the payment of a final dividend.

Post balance sheet event

On 14 May 2008, the Company announced that it acquired a total of 48,403,997 ordinary shares in Media Square plc, an AIM listed marketing communications company. At 31 December 2007, the Group held a number of equity traded derivates over these shares as set out in note 20 on page 47 of the consolidated financial statements. The ordinary shares acquired represented 15% of the issued share capital of Media Square plc. The average price paid for the shares was £0.0833 per share (£4.032 million) which were trading at £0.0625 per share (£3.025 million) on 19 June 2008.

Subsidiaries

The Company's principal subsidiary undertakings are set out in note 36 on page 60 of the consolidated financial statements.

Research and development

The Group is committed to ongoing research and development aimed at improving the quality and competitiveness of products and services provided by the Group. Expenditure on research and development is generally not material and is normally written off when it is incurred.

Political contributions

There were no political contributions which require disclosure under the Electoral Act, 1997.

Taxation status

So far as the Directors are aware, the Company is not a close company within the meaning of the Corporation Tax Acts.

Books and records

The Directors, through the use of appropriate procedures and systems and the employment of competent persons, have ensured that measures are in place to keep proper books and accounting records in compliance with Section 202 of the Companies Act 1990. The books of accounting records of the Company are maintained at the registered office of the Company.

Directors

The current Directors of the Company and their biographical details are set out on page 10.

In accordance with the Articles of Association of the Company one third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, the nearest to one-third shall retire from office. For that reason, Mr John Doris, if he remains as Director at the time of the next Annual General Meeting, will retire from the Board by rotation and, being eligible, will offer himself for reappointment.

None of the current Directors has a service contract with a notice period of one year or more. The Board confirms that the Director offering himself for reappointment continues to perform effectively and to demonstrate commitment to the role and recommends the reappointment of this Director.

Directors' and Company Secretary's share interests

The beneficial interests of the Directors and Company Secretary, including their respective families' interests, in the share capital of the Company were as follows:

Ordinary shares	**At 31 December 2007[(1)]**	At 31 December 2006[(1)(2)]
Directors		
M Delany[(3)]	**-**	718
A Jordan[(3)]	**-**	7,273
R McLoughlin[(3)]	**-**	3,298,392
D O'Donohoe[(3)]	**-**	345
P E Lynch[(4)(5)]	**2,820,825**	-
J Doris[(6)]	**266,667**	-
A Keogh[(7)]	**14,200**	-
Secretary		
P Kearns[(8)]	**-**	-
Goodbody Secretarial Limited[(8)]	**-**	-

(1) interests in ordinary shares at 31 December 2007 and 31 December 2006 are only in respect of Directors who were in office and held shares as at these dates
(2) ordinary shares at 31 December 2006 have been adjusted as if the one for five share consolidation had happened at this date
(3) Mr M Delany, Mr A Jordan, Mr R McLoughlin and Mr D O'Donohoe along with Mr A McGuckian and Mr D O' Brien resigned as Directors on 15 May 2007
(4) Mr P E Lynch purchased 5,204,126 ordinary shares from Mr R McLoughlin at a price of €0.15 per share on 15 May 2007
(5) Mr P E Lynch was appointed as a Director on 15 May 2007 and, following the acquisition of 5,204,126 ordinary shares from Mr R McLoughlin, his holding on 15 May was 14,104,126, subsequently reduced to 2,820,825 following the one for five share consolidation
(6) Mr J Doris was appointed as a Non-executive Director on 15 May 2007 and his holding on that date was 1,333,333, subsequently reduced to 266,667 following the one for five share consolidation
(7) Ms A Keogh was appointed as a Non-executive Director on 17 December 2007 and her holding on that date was 14,200
(8) Mr P Kearns resigned as Company Secretary on 13 July 2007 and Goodbody Secretarial Limited was appointed as Company Secretary on this date

There were no changes in the Directors' or Company Secretary's interests between 31 December 2007 and 19 June 2008.

Directors' and Secretary's share options

None of the Executive or Non-executive Directors or the Company Secretary at the year end held share options. At 31 December 2006, Executive Directors and the Company Secretary had interest in options over 700,000 ordinary shares, all of which lapsed during 2007.

Warrants

On 9 May 2007, shareholders at an Extraordinary General Meeting approved resolutions which enabled the creation of warrants in respect of new ordinary shares which were allotted to Directors as follows:

	At 1 January 2007	**Granted [(1)]**	**At 31 December 2007**	**Exercise Price €**	**Exercise period**
P E Lynch					
Series A	**-**	**5,000,000**	**5,000,000**	**0.75**	15 May 2007 to 15 May 2012
Series B	**-**	**5,000,000**	**5,000,000**	**0.75**	15 May 2007 to 15 May 2012

(1) the number of options granted and the price at which warrants are exercisable have been adjusted to reflect the impact of the one for five share consolidation as if the consolidation had happened on 9 May 2007

Further details are provided in note 30 on page 55 of the consolidated financial statements.

Substantial shareholdings

At 19 June 2008 the Company had been notified, in addition to Directors' interests, of the following interests in the share capital:

	No. of shares	%
Ray McLoughlin	**3,093,281**	**13.64**
Allied Irish Banks plc and its subsidiaries	**1,675,591**	**7.39**

Authority for the Company to make market purchases of its own shares

At the Company's Annual General Meeting on 31 October 2007, shareholders granted authority to the Company to purchase up to 10% of its own shares. Under this authority, the minimum price which could be paid for the shares was to equal the nominal value of the shares and the maximum price was to be equal to 105% of the market price of the shares on the day of purchase.

The authority granted at the October 2007 Annual General Meeting, has not been exercised and will expire at the earlier of the date of the Annual General Meeting in 2008 and eighteen months after the date of the October 2007 Annual General Meeting.

Corporate governance

The Company is committed to the principles of good corporate governance. Under the rules of IEX and AIM the Company is not required to comply with the Combined Code on Corporate Governance 2006. The Company has taken steps to comply with the provisions of the Code in so far as is practical, given the size of the Company and the nature of its operations. Details of the corporate governance procedures in place are set out in this report.

The Board

The Board is made up of one Executive and two Non-executive Directors. Biographies of each of the Directors are set out on page 10.

The Board is responsible for the strategy and direction of the Group. A formal schedule of matters reserved for Board approval has been adopted and this includes the approval of the annual financial statements, strategy and budgets, significant capital expenditure and acquisitions and disposals, board appointments and review of the Group's system of internal control. The Board has delegated responsibility for the management of the Group, through the Executive Chairman, to executive management. The Executive Chairman is accountable to the Board for all authority delegated to executive management. The strategies, operating parameters and controls on the business are implemented by the Executive Chairman through a series of formal and informal meetings and reviews involving senior management colleagues and operational management of the PAC Digimedia and PAC Telemedia divisions.

The Directors are empowered to take independent professional advice if necessary at the Company's expense and all Directors have access to the advice and services of the Company Secretary.

All Directors bring an independent judgement to bear on issues of strategy, performance, resources and standard of conduct.

The Board has established a number of committees to assist in carrying out its responsibilities and meeting its obligations. The committees and their members are listed on page 10. All of the committees have written terms of reference which are available from the Company's registered office. Meetings of the Board and its committees are held on a regular basis.

Executive Chairman and Senior Independent Director

The Board has delegated managerial responsibility for the running of the Group to the Executive Chairman Mr Peter E. Lynch. He is responsible for the strategic direction and overall performance of the Group.

Mr John Doris is the Senior Independent Director. He is available for contact by shareholders if they have concerns which cannot be addressed through the normal channels of the Executive Chairman.

Board balance and independence

A majority of the Board comprises Non-executive Directors. The Combined Code requires boards of directors to identify in the annual report each Non-executive Director whom it considers to be independent and to determine whether a director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

The Code identifies a number of relationships and circumstances which may be relevant to determining independence, including if the director has been an employee of the Company or Group within the last five years; has a material business relationship with the Company; holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; represents a significant shareholder; or has served on the board for more than nine years from the date of the first election. In addition, the Code also requires the Chairman to be independent on appointment but that the test of independence is not appropriate thereafter.

In the opinion of the Board all of the Non-executive Directors are independent. In arriving at this conclusion the Board has referred to a number of factors that might appear to affect the independence of some of the Directors. In each case the Board decided that the independence of the relevant Director was not compromised.

Supply of information and professional development

The Board receives monthly Group financial information and detailed Board papers are sent to each Director in a timely manner in advance of meetings.

Directors are kept up to date on the latest corporate governance developments and ongoing developments in best practice.

Appointment to the Board

A Nominations Committee has been established to make recommendations to the Board on all new Board appointments. The members of the Committee are identified on page 10. The Nominations Committee met on 17 December 2007 to approve the appointment of Anne Keogh as a Non-executive Director.

All Directors are subject to election by shareholders at the first opportunity after their appointment and to re-election at intervals of not more than three years. Non-executive Directors are appointed for specified terms subject to re-election at the next Annual General Meeting. Accordingly, Ms Anne Keogh, if she remains as a Director at the time of the next Annual General Meeting, will retire from the Board and, being eligible, will offer herself for re-appointment.

The terms of appointment of Non-executive Directors are available for inspection at the Company's registered office.

Company Secretary

The appointment and removal of the Company Secretary is a matter for the Board.

Remuneration

The Remuneration Committee consists solely of Non-executive Directors. Membership of the Committee is set out on page 10. The Committee is responsible for determining the remuneration of the Executive Chairman and senior management.

The Company's policy is to ensure that the remuneration of the Executive Chairman and senior management is appropriate to the nature and size of the Group's business and properly rewards and motivates them to perform in the best interests of shareholders. In framing the remuneration policy, the Remuneration Committee has given full consideration to Section B of the Best Practice Provisions annexed to the Irish Stock Exchange Listing Particulars. The main elements of the remuneration package for the Executive Chairman are basic salary, annual performance related bonus, pension benefits and share warrants. Pension entitlements are based on basic salary.

The Committee is responsible for making recommendations to the Board regarding remuneration for Non-executive Directors. The remuneration of Non-executive Directors is determined by the Board within the limits set by the Articles of Association.

Details of Directors' remuneration are set out in note 14 on page 43 of the consolidated financial statements. The interests of Directors in shares are set out on page 13. Details of the warrants granted to the Executive Chairman during 2007 are set out in note 30 on page 55 of the consolidated financial statements. It is the policy to grant warrants to senior executives to encourage identification with shareholders' interests.

Accountability and audit

An Audit Committee has been established with written terms of reference setting out its role and responsibilities. Membership of the Committee is set out on page 10.

The Committee discharges its responsibilities through meetings and receipt and review of reports from the external Auditors and management and review of preliminary announcements and annual reports.

The Committee reviews the accounting policies and practices used in the preparation of the financial statements and is responsible for reviewing the scope and effectiveness of the annual external audit. It reviews and monitors the external Auditors' independence and objectivity and the supply of non-audit services taking account of the relevant regulatory requirements and ethical guidance. Details of fees paid to the Auditors for audit and other services are set out in note 10 on page 41 of the consolidated financial statements. Non-audit services are mainly related to the provision of tax related services. It is more practical and efficient for these services to be provided by the Auditors. The nature of the non-audit services and the value of them are reviewed by the Committee so that it can be satisfied that auditor objectivity and independence is safeguarded. The Committee meets the Auditors in the absence of the Executive Chairman and management at least once each year.

The Committee has reviewed the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and is satisfied that these arrangements are adequate.

The Board is satisfied that at all times at least one member of the Audit Committee has sufficient recent and relevant financial experience.

The Directors have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group operates through an organisation structure with clearly defined levels of responsibility and authority and appropriate procedures.

Annual budgets are prepared for all business units and these identify key risks and opportunities. The Board approves the Group budget. Performance is measured against budget and prior years and Group performance is reported to the Directors on a monthly basis.

The operating companies maintain controls and procedures which are appropriate to their size and the environment in which they operate. There are regular visits to the operating companies by the Executive Chairman and senior management at which a detailed review of operating and financial matters, including business risk and internal control issues, takes place. The Board receives regular updates on the key risks at Group level and in the individual business units and the steps taken to manage such risks.

The Group does not have an internal audit function as it is not considered necessary because of the nature and size of the Group's activities and the ongoing operating and financial reviews carried out by Group management. The need for an internal audit function is reviewed on an annual basis.

The Directors have, through the Audit Committee, reviewed the effectiveness of the Group's system of internal control.

Corporate responsibility

The Group has a Code of Business Conduct aimed at ensuring high standards of conduct are maintained within the Group and activities are carried out in a responsible and ethical manner.

A whistle-blowing policy is in place whereby staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

Group companies have prepared safety statements and the policies set out in these statements are kept under review.

Employees

The Group is committed to the principle of equality and complies with all relevant and anti-discrimination legislation.

The average number employed by the Group during 2007 was 314 (2006: 333).

Relations with shareholders

It is the Company's policy to enter into dialogue with shareholders in so far as is permissible having regard to the rules of the Stock Exchange, the Companies Acts and other legal and regulatory requirements. All Directors are encouraged to participate in this process. The Board is kept advised of any material matters arising.

The Company's Annual General Meeting affords individual shareholders the opportunity to question the Board. In addition, the Company responds throughout the year to communications from shareholders.

The Annual Report and Notice of Meeting are posted to shareholders at least twenty one working days before the Annual General Meeting. The level of proxy votes cast on each resolution, and the numbers for and against, are announced at the general meetings. Details of the resolutions passed at the Annual General Meeting are included on the Company's website.

Directors' responsibilities

The Directors' responsibilities are contained within the Statement of Directors' Responsibilities on page 19.

Annual general meeting

The notice of the meeting will give details of any matters which are special business to be considered at the meeting.

Going concern

The Directors, after making enquiries, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For that reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

The Auditors, PricewaterhouseCoopers will continue in office in accordance with the provisions of Section 160(2) of the Companies Act, 1963.

On behalf of the Board

P E Lynch	Executive Chairman
J Doris	Director

2A Sandymount Green
Dublin 4

19 June 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the web site. Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We have audited the group and parent company financial statements of Prime Active Capital plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, and have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006. We report to you our opinion as to whether the parent company financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the parent company financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting of the company; such a financial situation may exist if the net assets of the company, as stated in the company balance sheet, are not more than half of its called-up share capital.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, Operating Review and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its loss and cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006;
- the parent company financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the parent company's affairs as at 31 December 2007; and
- the parent company financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The company balance sheet is in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the company balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2007 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
One Spencer Dock
Dublin 1
19 June 2008

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	**Pre-exceptionals 2007 €'000**	**Exceptionals (note 6) 2007 €'000**	**Total 2007 €'000**	Pre-exceptionals 2006 €'000	Exceptionals 2006 €'000	Total 2006 €'000
Revenue	5	**34,632**	**-**	**34,632**	35,977	-	35,977
Cost of sales		**(27,359)**	**-**	**(27,359)**	(28,261)	-	(28,261)
Gross profit		**7,273**	**-**	**7,273**	7,716	-	7,716
Selling and distribution costs		**(1,944)**	**-**	**(1,944)**	(2,348)	-	(2,348)
Administration expenses		**(4,190)**	**(2,289)**	**(6,479)**	(4,601)	-	(4,601)
Other operating expenses		**-**	**(1,134)**	**(1,134)**	-	-	-
Other gains	7	**216**	**-**	**216**	-	-	-
Operating (loss)/profit	5	**1,355**	**(3,423)**	**(2,068)**	767	-	767
Share of loss of joint venture		**(308)**	**-**	**(308)**	-	-	-
Finance costs	8	**(727)**	**-**	**(727)**	(921)	-	(921)
Finance income	8	**449**	**-**	**449**	257	-	257
(Loss)/profit before tax		**769**	**(3,423)**	**(2,654)**	103	-	103
Income tax credit	13			**453**			36
(Loss)/profit for the year	5			**(2,201)**			139
Attributable to:							
Equity shareholders				**(2,170)**			139
Minority interest				**(31)**			-
				(2,201)			139
(Loss)/earnings per share - Basic and diluted (cent)	15			**(12.89)**			1.23

P E Lynch Executive Chairman
J Doris Director

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2007

	Notes	**2007 €'000**	2006 €'000
Assets			
Non-current assets			
Property, plant and equipment	16	**10,578**	11,707
Intangible assets	17	**3,149**	-
		13,727	11,707
Current assets			
Inventories	18	**2,349**	1,201
Trade and other receivables	19	**8,586**	7,915
Financial assets at fair value through profit or loss	20	**261**	-
Cash and cash equivalents	21	**13,191**	5,661
		24,387	14,777
Total assets		**38,114**	26,484
Liabilities			
Current liabilities			
Trade and other payables	22	**8,158**	7,044
Current income tax liabilities		**275**	870
Borrowings	23	**2,581**	3,696
Provisions for other liabilities and charges	24	**69**	-
		11,083	11,610
Non-current liabilities			
Borrowings	23	**2,805**	5,791
Deferred income tax liabilities	25	**601**	563
Retirement benefit obligations	26	**-**	139
Put liability	33	**1,051**	-
		4,457	6,493
Total liabilities		**15,540**	18,103
Net assets		**22,574**	8,381
Equity			
Ordinary shares	27	**11,341**	5,644
Share premium	27	**16,444**	5,950
Other reserves	28	**342**	442
Retained earnings	29	**(5,828)**	(3,655)
Minority interest in equity		**275**	-
Total equity		**22,574**	8,381

P E Lynch Executive Chairman
J Doris Director

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	**2007** €'000	2006 €'000
Actuarial (loss)/gain on defined benefit pension plan	26	**(3)**	179
Exchange movement		**(1,307)**	130
Net (loss)/income recognised directly within equity		**(1,310)**	309
(Loss)/profit for the year		**(2,201)**	139
Total recognised (expense)/income for the year		**(3,511)**	448

	2007 €'000	2006 €'000
Attributable to:		
Equity holders of the Company	**(3,480)**	448
Minority interest	**(31)**	-
	(3,511)	448

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	**2007** €'000	2006 €'000
Operating activities			
Cash generated from operations	31 (a)	**753**	3,394
Tax paid		**(11)**	(17)
Net cash inflow from operating activities		**742**	3,377
Investing activities			
Purchase of property, plant and equipment		**(1,537)**	(901)
Proceeds from sale of property, plant and equipment		**154**	54
Interest received		**381**	202
Acquisition of subsidiary, net of cash acquired	33	**(3,423)**	-
Net cash outflow from investing activities		**(4,425)**	(645)
Financing activities			
Proceeds from issue of shares		**16,190**	-
Repayments of borrowings		**(2,220)**	(1,855)
Capital element of asset finance payments		**(1,345)**	(1,475)
Interest paid		**(395)**	(515)
Finance lease interest		**(280)**	(353)
Net cash inflow/(outflow) from financing activities		**11,950**	(4,198)
Net increase/(decrease) in cash and cash equivalents		**8,267**	(1,466)
Cash and cash equivalents at 1 January		**5,661**	7,048
Effect of exchange rate changes		**(737)**	79
Cash and cash equivalents at 31 December	21	**13,191**	5,661

1. General information

At the start of 2007, Prime Active Capital plc was organised into two business divisions, managed services and books & journals printing, operating in the United Kingdom. In circulars to shareholders dated 12 April 2007 and 2 July 2007, the intention to develop the Group as an operating investment vehicle was determined. Subsequent to these announcements, the two business divisions were amalgamated into one digital media division, PAC Digimedia. All operating companies within this division are wholly owned subsidiaries of PAC Digimedia Limited, which is a wholly owned subsidiary of Prime Active Capital plc. PAC Digimedia invests in and acquires companies operating in the digital media, marketing and communications sectors.

On 18 October 2007, PAC Telemedia, LLC was incorporated as a wholly owned subsidiary of Prime Active Capital plc to invest in and acquire companies operating in the telecommunications sector. On 30 October 2007, PAC Telemedia, LLC acquired a 49% interest in Cellular Center, LLC. Cellular Center is a Georgia, USA based chain of mobile phone shops and a premium agent of Verizon Wireless operating primarily in Atlanta and the surrounding regions. On 21 December 2007, PAC Telemedia increased its interest in Cellular Center to 80%. Results from this acquisition have been included in the telecommunications division, PAC Telemedia.

The Company's shares are listed on the Irish Enterprise Exchange (IEX) in Dublin and on the Alternative Investment Market (AIM) in London.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements, which are presented in euro thousands, have been prepared under the historical cost convention as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union (EU) and with those parts of the Companies Acts, 1963 to 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 on pages 36 and 37 of the consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

A summary of the Group accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

The following standards and interpretations, which had not been adopted early by the Group, became effective for the 2007 financial statements:

- IFRS 7 – Financial Instruments: Disclosure and Amendment to IAS1 – Presentation of Financial Statements
- IAS 1 – Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures
- IFRIC 8 – Scope of IFRS 2
- IFRIC 10 – Interim Financial Reporting and Impairment

None of the above standards or interpretations has had, or is expected to have, a material impact on the Group financial statements but require additional disclosures on capital and financial instruments.

The following standards and interpretations which are effective for the current financial year have been reviewed and deemed to be non applicable:

- IFRS 4 – Insurance Contracts
- IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 9 – Re-assessment of Embedded Derivatives

The Group has not applied the following IFRS's, amendments to IFRS's and International Financial Reporting Interpretations Committee (IFRIC) interpretations which have been issued but are not yet effective:

- Amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards – and IAS 27 – Consolidated and Separate Financial Statements – cost of an investment in a subsidiary, jointly controlled entity or associate (effective from 1 January 2009)
  First-time adopters are permitted to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statements of the investor. The Group will apply this revised standard from the effective date and is currently assessing the impact on the Group's financial statements.
- Amendment to IFRS 2 – Share-based Payments: Vesting Conditions and Cancellations (effective from January 2009)
  This amendment clarifies the accounting treatment of cancellations and vesting conditions. It is not expected that this amendment will have any impact on the Group's financial statements.
- Revision of IFRS 3 – Business Combinations (effective from 1 January 2010)
  This standard establishes principles for how an acquirer recognises, measures and discloses in its financial statements the goodwill acquired in the business combination and the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The impact on the Group's financial statements will be dependent on future acquisitions.
- IFRS 8 – Operating Segments (effective from 1 January 2009)
  This standard replaces IAS 14 and aligns segment reporting with the requirements of the US Standard SFAS 131 "Disclosures about segments of an enterprise and related information". Management do not anticipate any substantive changes to the segment reporting of the Group arising from the application of this standard.
- Amendment to IAS 1 – Presentation of Financial Statements (effective from 1 January 2009)
  This amendment sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. Management do not expect the amendment to IAS 1 to have a significant impact on the presentation of the Group's financial statements.
- Amendment to IAS 23 – Borrowing Costs (effective from 1 January 2009)
  This amendment requires an entity to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing such borrowing costs will be removed. This is currently not applicable to the Group as there are no qualifying assets.
- Amendment to IAS 27 – Consolidated and Separate Financial Statements (effective from 1 January 2009)
  The objective of this amendment is to enhance the relevance, reliability and comparability of the information that a parent entity provides in its separate financial statements and in its consolidated financial statements for a group of entities under its control. Management do not expect the amendment to IAS 27 to have a significant impact on the presentation of the Group's financial statements.
- Amendment to IAS 32 – Puttable Financial Instruments and Obligations Arising on Liquidation (effective from 1 January 2009)
  This amendment will have no impact on the Group's financial statements. This amendment clarifies the accounting treatment of cancellations and vesting conditions. It is not expected that this amendment will have any impact on the Group's financial statements.

- IFRIC Interpretation 12 – Service Concession Arrangements (effective from 1 January 2008)
  This interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements. This IFRIC will have no impact on the Group's financial statements.
- IFRIC Interpretation 13 – Customer Loyalty Programmes (effective from 1 July 2008)
  This interpretation clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. This IFRIC will have no impact on the Group's financial statements as the Group companies do not operate any loyalty programmes.
- IFRIC Interpretation 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from 1 January 2008)
  This interpretation provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This IFRIC will have no impact on the Group's financial statements.
- Improvement to IFRS – (most of the amendments effective for annual periods beginning on or after 1 January 2009)
  The Improvements to IFRS represent a number of 'non-urgent' amendments to IFRSs that involve accounting changes for presentation, recognition and measurement, and terminology or editorial changes with minimal effect of accounting.

The standards and interpretations addressed above will be applied for the purposes of the Group financial statements with effect from the dates listed.

2.2 Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiaries, drawn up to 31 December each year. The share capital of Bell & Bain Limited, Top Copy Image Centres Limited, the Plastic Card Company Limited and PCC Services Limited is 100% owned by the Group. From 21 December 2007 the Group also owned 80% of the share capital of Cellular Center, LLC.

All Group subsidiaries have financial year-ends which are co-terminus with that of the Group and Group accounting policies are applied consistently in subsidiary financial information which forms part of the consolidated financial statements.

2.3 Business combination
Subsidiaries are those entities over which the Group has the power to control the financial and operating policies so as to obtain economic benefit from their activities. The purchase method of accounting is employed in accounting for the acquisition of subsidiaries by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The Group elected to avail of the exemption under IFRS 1 First time Adoption of International Financial Reporting Standards whereby business combinations prior to the transition date (1 January 2004) are not restated. IFRS 3 Business Combinations has been applied with effect from the transition date and goodwill amortisation ceased from that date.

On the acquisition of a subsidiary, fair values are attributed to the net identifiable assets acquired. The cost of a business combination is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control together with any directly attributable expenses. Any excess of the fair value of the consideration over the fair value of the Group's share of the assets acquired is treated as goodwill.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The Group's interests in joint ventures are recognised using the equity method of accounting. Under the equity method, the Group's share of the post-acquisition profits or losses after taxation of joint ventures is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Minority interests represent the proportion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group.

All intra-group transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements.

2.4 Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment which is subject to risks and returns that are different from those of segments operating in other economic environments.

Prime Active Capital plc is organised into two main business segments: digital media and telecommunications. This structure reflects the dominant source and nature of the Group's operational risks and returns. These divisions are therefore used as the primary format for segment reporting.

2.5 Revenue
Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, sales taxes, rebates and returns, after eliminating sales within the Group.

Revenue is recognised for the Group's business activities as follows:

PAC Digimedia
Revenue from the sale of goods is recognised when a Group entity has delivered products to the customer and the significant risks and rewards of ownership have been transferred to the buyer. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

PAC Telemedia
Revenue from the sale of goods is recognised when the relevant goods are provided and is limited to the amount payable by the customer for the goods. Commission revenue is receivable on sales of third party wireless subscription services and is contractually committed by the provider of the wireless subscription services and for which there are ongoing performance criteria. Commission is repayable in the event that a subscriber cancels a subscription service within a defined period of time. Accumulated experience is used to estimate and provide for commission repayments. Commission revenue is recognised net of provision for cancellations when the sales related to the commission are made.

2.6 Share-based payments
Share options
Employees (including Directors) of the Group may be entitled to remuneration in the form of share – based payment transactions, whereby employees render service in exchange for shares or rights over shares. Details of the Group's share option scheme are set out in note 35 on page 59 of the consolidated financial statements.

In line with the transitional provisions applicable to a first-time adopter of International Financial Reporting Standards, as contained in IFRS 2 Share-based Payment, the recognition and measurement principles of this standard have been applied only in respect of share options granted after 7 November 2002 that had not vested at the date of transition to IFRS. In accordance with the standard, the disclosure requirements of IFRS 2 are applied to all outstanding share-based payments regardless of their grant date.

For any share options granted after 7 November 2002, the fair value of the option is recognised as an expense in the income statement with a corresponding increase in equity. The fair value is measured at grant date excluding the impact of non-market conditions and spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest where vesting conditions are non-market conditions. When the options are exercised, the proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

Warrants
In accordance with IFRS 2, the fair value of the warrants at grant date excluding the impact of non-market conditions is recognised as an expense in the income statement over the vesting period. A corresponding amount is recognised in shareholders' equity as the warrant scheme is designated as an equity-settled share based payment transaction. The fair value of each warrant granted during the year is determined using an option pricing model with assumptions appropriate to each award at the time of grant. A detailed description is outlined in note 30 on page 55 of the consolidated financial statements.

2.7 Retirement benefit obligations
The Group operates a number of defined contribution schemes and a defined benefit scheme.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to defined contribution schemes are charged to the income statement in the period in which they fall due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

The Group accounts for the post-employment defined benefit scheme through full recognition of the scheme's surplus or deficit on the balance sheet at the end of each year. Actuarial gains and losses are included in the statement of recognised income and expense. Current costs, curtailments and settlements are recognised within operating profit. Past service costs are recognised within operating profit unless the changes to the pension plan are conditional on the employees remaining service for a specified period of time (vesting period). In this case, the past service costs are amortised over the vesting period. Expected return on scheme assets and interest on obligations are recognised as components of finance income and finance costs.

2.8 Finance income and finance costs
Finance income consists of income from interest earning deposits and expected returns on defined benefit pension plan assets. Deposit interest income is accrued on a time basis by reference to the principal balance and the applicable effective interest rate.

Finance costs consist of interest payable on borrowings and the interest cost on defined benefit pension plan liabilities. Interest payable on borrowings is accrued on a time basis by reference to the outstanding principal and the effective interest rate of the borrowing.

2.9 Exceptional items
The Group has adopted an income statement format, which seeks to highlight significant items within the Group results for the year. Such items may include restructuring costs, reorganisation costs, impairment of assets, profit or loss on disposal or termination of operations, litigation settlements, profit or loss on disposal of investments or other significant expenses. Judgement is used by the Group in assessing the particular items, which by virtue of their scale and nature, should be disclosed in the income statement and notes as exceptional items.

2.10 Taxation
Taxation on the profit or loss for the period comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates and laws that have been enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on the basis of the liability method on temporary differences at the balance sheet date. Temporary differences are defined as the difference between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets and liabilities are not subject to discounting and are measured at the tax rates that are anticipated to apply in the period in which the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The carrying amounts of deferred tax assets are subject to review at each balance sheet date and are reduced to the extent that future taxable profits are considered to be inadequate to allow all or part of any deferred tax asset to be utilised.

2.11 Currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro, which is the presentation currency of the Group. The functional currency of the Group is sterling. Presenting the financial statements in euro is considered to be more meaningful for shareholders because the Group parent company is incorporated in Ireland, its shares are quoted on the Irish Enterprise Exchange (IEX), the Irish Stock Exchange market which is designed for small to mid-sized companies, and the majority of its shareholders are Irish.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Group companies

Results and cash flows of subsidiaries are translated into euro at average exchange rates for the period, where average exchange rates approximate the exchange rates applying at the dates of the underlying transactions, and the related balance sheets are translated at the exchange rates applying at the balance sheet date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rates applying at the balance sheet date. Exchange differences arising on translation of the results of foreign currency subsidiaries and on restatement of the opening net assets at closing rates are dealt with in a separate currency translation reserve within equity, net of any differences on related currency borrowings. On disposal of a foreign operation, accumulated currency translation differences are recognised in the income statement as part of the overall gain or loss on disposal. Cumulative currency translation differences arising prior to 1 January 2004 (the transition date to IFRS) have been set to zero.

2.12 Property, plant and equipment

Property, plant and equipment are recorded at original cost less accumulated depreciation (for those assets which are depreciated) and any impairment loss. Cost includes the purchase price plus costs directly incurred in bringing the asset into use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

2.13 Depreciation and impairment of property, plant and equipment
Depreciation is charged, on a straight-line basis, so as to write down the cost of property, plant and equipment to residual value, including those assets held under finance lease. Land is not depreciated. Depreciation charges are commenced from the dates the assets are available for their intended use and are spread over the following estimated useful economic lives (or the lease term, if shorter):

-	property	50 years;
-	fixtures, fittings, plant and equipment	3 to 12 years; and
-	vehicles and office equipment	2 to 5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

In accordance with IAS 36 'Impairment of Assets', the carrying values of items of property, plant and equipment are reviewed for impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is assessed by discounting the estimated future cash flows that the asset is expected to generate. For this purpose assets are grouped into cash generating units representing the lowest levels for which there are separately identifiable cash flows. Impairment is then determined by assessing the recoverable amount of the cash-generating unit to which the assets relates. Reversals of impairment losses are recognised in income when they arise.

2.14 Intangible assets – goodwill
Goodwill is recognised as an asset and represents the excess of the cost of an acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of the acquisition. As at the acquisition date, goodwill is allocated to cash-generating units for the purpose of impairment testing. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is reviewed for impairment annually and whenever there is a possible indicator of impairment. Impairment is determined by assessing the recoverable amount, being the higher of fair value less costs to sell and value in use, of the cash-generating unit to which the goodwill relates. If the recoverable amount of goodwill is less than its carrying amount, an impairment loss is recognised. Impairment losses for goodwill are not reversed in subsequent periods.

Where a subsidiary is sold, any goodwill arising on acquisition, net of any impairment, is included in determining the profit or loss arising on disposal.

2.15 Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

Inventory is measured for the Group's business activities as follows:

PAC Digimedia
The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

PAC Telemedia
Net realisable value takes account of cost, which comprises invoiced costs, and expected revenues arising from the sale of packages comprising a phone and a wireless subscription service for which the Company receives a commission. Where necessary, write downs in the carrying value of inventories are made for obsolete, damaged, deteriorated and unusable items on the basis of a review of individual items included in inventory.

2.16 Trade and other receivables
Trade and other receivables are recognised initially at fair value. Given the short-dated nature of these assets the original invoice value equates to initial fair value. Trade receivables are subsequently measured at amortised cost using the effective interest method, less an impairment provision when there is objective evidence that it will not be possible to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original rate of interest. The amount of the provision is recognised in the income statement in selling and distribution costs.

2.17 Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading and include derivatives other than those designated as hedges. A financial asset is classified as a current asset in this category if acquired principally for the purposes of selling in the short-term. Financial assets in this category are initially recognised at fair value and transaction costs are expenses in the income statement. The fair values of quoted investments and equity traded derivatives are based on current bid prices.

2.18 Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits, including bank deposits of less than three months maturity. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.19 Share capital
Ordinary shares are classified as equity. Equity capital issued by the Group is recorded at the value of the proceeds received, net of direct issue costs. The only equity instruments of the Group are ordinary share capital and warrants.

2.20 Trade payables
Trade payables are initially stated at cost which, given the short-dated nature of these liabilities equates to initial fair value and are subsequently measured at amortised cost, using the effective interest rate method, when the age or payment terms of the liability indicates that initial cost no longer equates to fair value.

2.21 Provisions
A provision is recognised in the balance sheet when the Group has a present obligation (either legal or constructive) as a result of a past event; it is probable that a transfer of economic benefits would be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.22 Borrowings
Borrowings are initially recorded at the fair value of the consideration received net of attributable transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the consideration received (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.23 Leases
Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing loans and borrowings.

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Asset finance agreements are legal agreements entered into with a provider of finance to enable Group entities to finance the purchase of plant and equipment. The substance of these agreements is equivalent to that of a finance lease and accordingly these transactions are accounted for as finance leases. The term asset finance agreement is used in the financial statements to describe both finance lease agreements and any other agreements which are equivalent to finance leases in substance. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease. Benefits received as an incentive to enter into an operating lease are spread on a straight line basis over the period of the lease.

2.24 Derivative financial instruments and hedging activities
Derivative financial instruments may be employed by the Group from time to time to match an existing foreign currency asset or liability or to hedge a forecasted transaction. Derivative financial instruments are initially measured at fair value and remeasured at fair value at each reporting date and the movement in fair value is recognised in the income statement unless they are designated as cash flow hedges under IAS 39. Where such instruments are classified as cash flow hedges, and subject to the satisfaction of certain criteria relating to documentation at inception of the relationship between the hedging instrument and the hedged item, risk management objectives and strategy, and the ongoing measurement of its effectiveness, they are accounted for under hedge accounting rules.

In such cases, any gain or loss arising on the effective portion of the derivative instrument is recognised in the hedging reserve, a separate component of equity. Gains or losses on any ineffective portion of the derivative are recognised in the income statement. When a forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2.25 Government and other grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and that the Group will comply with all attached conditions.

Grants related to certain expenditures incurred in respect of the opening of new mobile phone shops are receivable subject to various conditions. When there is reasonable assurance that the grant will be received, by the Group's subsidiary Cellular Center, LLC, and all conditions will be complied with, the grant is recognised at its fair value.

Government and other grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government and other grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

3. Financial risk management
The main financial instruments used by the Group throughout its businesses are interest-bearing loans and borrowings, cash and cash equivalents, trade receivables and payables and finance leases. The Group also has equity traded derivatives over shares in a company listed on AIM. The main risks attaching to the Group's financial instruments are interest rate risk, currency risk, credit risk and price risk.

Interest rate risk
Group borrowings consist of sterling term debt, cash flow finance and asset finance facilities within the UK based operations. At 31 December 2007, the greater proportion of these borrowings was subject to floating rates of interest based on LIBOR. The risk associated with significant increases in UK interest rates in the future is kept under ongoing review by management.

At 31 December 2007, if interest rates on sterling-denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year and equity would have been €0.045 million/€0.045 million (2006: €0.062 million/€0.062 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Currency risk
The Group's trading activities are conducted in sterling and US dollar, the functional currencies of the Group's main subsidiaries. The Group's UK and USA based operating companies incur transactional currency exposures arising from sales and purchases in currencies other than sterling or US dollar. Local management monitor such transactions on an individual basis to ensure that the currency risk on each transaction is mitigated. The translation of the Group's net investment in its subsidiaries to the Group presentation currency (euro) gives rise to an exchange movement which is recognised in the consolidated statement of recognised income and expense.

At 31 December 2007, if the euro had strengthened/weakened by 9% against sterling with all other variables held constant, post-tax profit for the year and equity would have been €0.090 million/€0.0107 million (2006: €0.013 million/€0.016 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of sterling- denominated cash balances, financial assets at fair value through profit and loss and trade receivables.

At 31 December 2007, if the euro had strengthened/weakened by 11% against the US Dollar with all other variables held constant, post-tax profit and equity for the year would have been €0.043 million/€0.036 million (2006: €nil/€nil) lower/higher, mainly as a result of foreign exchange losses/gains on translation of US dollar denominated cash balances and trade receivables.

Credit risk
Credit risk arises in the context of the Group's trading with customers. Credit risk is managed by maintaining and applying appropriate credit control policies with both new and continuing customer relationships. There were no significant concentrations of credit risk at the year end.

The Group is also exposed to credit risk relating to cash and cash equivalents and financial assets at fair value through profit and loss. The Group places cash/deals with highly rated financial institutions and seeks to diversify funds between a number of such institutions to minimise the amount of credit exposure to any financial institution.

Price risk
The Group is exposed to underlying equity securities price risk in respect of investments held by the Group and classified as on the balance sheet at fair value through profit or loss. The Group does not hedge against this exposure but actively manages the position to ensure its fundamental value is preserved.

At 31 December 2007, if the underlying equity securities price in respect of investments held by the Group and classified as on the balance sheet at fair value through profit or loss had strengthened/weakened by 12% with all other variables held constant, post-tax profit and equity for the year would have been €0.413 million/€0.413 million (2006: €nil/€nil) lower/higher, mainly as a result of changes in fair values of financial assets held at fair value through profit and loss.

Liquidity risk
The Group is exposed to liquidity risk which arises primarily from the maturing of short-term and long term debt obligations and the requirement to pay other short term financial liabilities. The Group's policy is to ensure that sufficient resources are available either from cash balances, cash flows or undrawn committed bank facilities, to ensure all obligations can be met as they fall due. To achieve this objective, the Group:

- continuously monitors and controls forecast and actual cash flows;
- maintains cash balances and liquid investments with highly-rated counterparties;
- limits the maturity of cash balances; and
- funds its debt needs under committed bank lines or other term financing.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the earliest date on which the Group can be required to pay. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due equal their carrying balances as the impact of discounting is not significant.

At 31 December 2007	**Less than 1 year €'000**	**Between 1 and 2 years €'000**	**Between 2 and 5 years €'000**
Borrowings	**2,774**	**2,445**	**829**
Trade and other payables	**8,158**	**-**	**-**
	10,932	**2,445**	**829**

At 31 December 2006	Less than 1 year €'000	Between 1 and 2 years €'000	Between 2 and 5 years €'000
Borrowings	3,954	3,223	3,588
Trade and other payables	7,044	-	-
	10,998	3,223	3,588

Capital risk
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may pay dividends to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

4. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future in preparing the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. By definition, estimates cannot be expected to predict future results with certainty. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Goodwill

The Group capitalised goodwill of €3.149 million following the acquisition of a majority stake in Cellular Center, LLC on 21 December 2007. Goodwill is required to be tested for impairment at least annually or more frequently if changes in circumstances or the occurrence of events indicating potential impairment exist.

In accordance with accounting policy note 2.14 on page 32 of the consolidated financial statements, the Group assesses the recoverable amount of the cash generating unit to which goodwill relates to determine if goodwill has been impaired. In calculating the recoverable amount, management judgment is required to determine either the fair value less costs to sell of the cash generating unit or to determine the discounted present value of the cash flows expected to arise from the continuing use of the cash generating unit and its disposal and the end of its useful life. In testing for impairment at 31 December 2007, management assessed the fair value less costs to sell of the cash generating units to which goodwill related and determined that no impairment arose.

4.2 Post-retirement benefits
The Group operates a defined benefit pension plan. The Group's total obligation in respect of this pension plan is based on the advice of independent, qualified actuaries and updated at least annually. At 31 December 2007 the total obligation of the plan was €0.889 million and the plan assets totalled €0.974 million.

During the year there was a corporate restructuring and the last remaining active service member of the plan left the Company. This has resulted in a curtailment gain. In accordance with the terms of the wind-up rules of the trust deed of the scheme, it is expected that all assets of the plan will be used to provide member benefits and therefore any surplus in the plan would not be recoverable by the Group. Accordingly, the surplus of assets at the year end has not been recognised.

The size of the pension surplus is sensitive to the assumptions which underlie the calculations performed by the independent actuaries. These include demographic assumptions covering mortality and longevity, and economic assumptions covering price inflation and benefit and salary increases together with the discount rate used. The size of the plan assets is also sensitive to asset return levels and the level of employer contributions.

4.3 Income taxes
Significant judgement is required in determining the provision for income taxes as the taxation rules are constantly evolving and are subject to changes in legal and practical interpretation from time to time. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.4 Business combinations
The Group uses the purchase method of accounting for acquisitions which requires that the assets and liabilities assumed are recorded at their respective fair values at the date of acquisition. The application of the purchase method requires certain estimates and assumptions particularly concerning the determination of the fair values of the acquired assets and liabilities assumed at the date of acquisition.

4.5 Exceptional items
In accordance with accounting policy note 2.9 on page 30 of the consolidated financial statements, the Group has adopted an income statement format which highlights as exceptional any significant and one of items within the Group's results for the year. Judgement is used by the Group in assessing the particular items, which by virtue of their materiality and/or nature, are disclosed in the income statement and related notes as exceptional items.

4.6 Valuation of warrants
The determination of the fair value of warrants involves the use of judgements and estimates. The fair value has been estimated using Monte Carlo simulation model in accordance with the judgemental assumptions set out in note 30 on page 55 of the consolidated financial statements.

5. Segment information

(a) Primary reporting format - business segments

At 31 December 2007, the Group was organised into two business divisions as follows:

PAC Digimedia
PAC Digimedia is the digital media division which is an amalgamation of the managed services and books & journals divisions which were previously reported as two separate segments. PAC Digimedia has three business units operating in the UK: plastic cards, books & journals production and on-demand digital print and finishing.

PAC Telemedia
PAC Telemedia is the telecommunications division and currently comprises of the Group's majority stake in Cellular Center, LLC. The acquisition of the company in this division took place on 21 December 2007. Therefore the results disclosed below represent the 11 day period from this date until year end.

The segment results for the years ended 31 December 2007 and 31 December 2006 are as follows:

Year ended 31 December 2007	**PAC Digimedia €'000**	**PAC Telemedia €'000**	**Unallocated[1] €'000**	**Group €'000**
Revenue	**34,488**	**144**	**-**	**34,632**
Operating profit/(loss) before other gains and other operating expenses	**2,575**	**(158)**	**(3,567)**	**(1,150)**
Other operating expenses			**(1,134)**	**(1,134)**
Other gains			**216**	**216**
Operating profit/(loss)	**2,575**	**(158)**	**(4,485)**	**(2,068)**
Share of loss of joint venture	**-**	**(308)**	**-**	**(308)**
Finance costs	**(675)**	**-**	**(52)**	**(727)**
Finance income	**11**	**2**	**436**	**449**
Profit/(loss) before tax	**1,911**	**(464)**	**(4,101)**	**(2,654)**
Income tax credit				**453**
Loss for the year				**(2,201)**

Year ended 31 December 2006	PAC Digimedia [2] €'000	PAC Telemedia €'000	Unallocated €'000	Group €'000
Revenue	35,977	-	-	35,977
Operating profit	2,024	-	(1,257)	767
Other operating expenses	-	-	-	-
Operating profit/(loss)	2,024	-	(1,257)	767
Finance costs	(868)	-	(53)	(921)
Finance income	9	-	248	257
Profit/(loss) before tax	1,165	-	(1,062)	103
Income tax credit				36
Profit for the year				139

(1) unallocated costs represent corporate costs of the Group including exceptional items
(2) prior year comparatives for PAC Digimedia are based on combining the results of the managed services and books & journals divisions

Segment assets and liabilities at 31 December 2007 and other segment items in 2007 are as follows:

	PAC Digimedia €'000	**PAC Telemedia €'000**	**Unallocated €'000**	**Group €'000**
Segment assets	**21,387**	**5,973**	**10,754**	**38,114**
Segment liabilities	**(12,423)**	**(2,355)**	**(762)**	**(15,540)**
Other segment items				
Depreciation	**1,994**	**2**	**8**	**2,004**
Capital expenditure [(1)]	**1,492**	**-**	**45**	**1,537**
Bad debts	**16**	**-**	**-**	**16**
Inventory provision	**58**	**19**	**-**	**77**

(1) in addition to capital expenditure noted above, see business combinations at note 33 on page 58 of the consolidated financial statements

Segment assets and liabilities at 31 December 2006 and other segment items in 2006 are as follows:

	PAC Digimedia €'000	PAC Telemedia €'000	Unallocated €'000	Group €'000
Segment assets	20,797	-	5,687	26,484
Segment liabilities	(16,077)	-	(2,026)	(18,103)
Other segment items				
Depreciation	2,325	-	15	2,340
Capital expenditure	1,846	-	-	1,846
Bad debts	57	-	-	57
Inventory provision	119	-	-	119

(b) Secondary reporting format - geographical segments

The Group's two business segments and their assets are located in the UK and the USA. The table below shows revenue by customer location, assets by location and capital expenditure by location.

	Revenue		**Segment assets**		**Capital expenditure**	
	2007 €'000	2006 €'000	**2007 €'000**	2006 €'000	**2007 €'000**	2006 €'000
UK	**28,602**	31,662	**21,387**	20,797	**1,492**	1,846
USA	**2,700**	1,456	**5,973**	-	**-**	-
Other	**3,330**	2,859	**-**	-	**-**	-
	34,632	35,977	**27,360**	20,797	**1,492**	1,846
Unallocated	**-**	-	**10,754**	5,687	**45**	-
	34,632	35,977	**38,114**	26,484	**1,537**	1,846

6. Exceptional items

	2007	2006
	€'000	€'000
Redundancy payments	**1,134**	-
Professional and other fees	**31**	-
Warrants	**2,258**	-
	3,423	-

Non-recurring reorganisation costs of €1.165 million were incurred by the Group arising out of a corporate restructure which took place in May 2007. Details of the charge for the warrants are given at note 30 on page 55 of the consolidated financial statements. The charge of €2.258 million represents the fair value of the warrants as calculated by independent valuers.

7. Other gains - net

	2007	2006
	€'000	€'000
Fair value gain on financial assets held at fair value through profit or loss (note 20)	**261**	-
Transaction costs	**(45)**	-
	216	-

8. Finance costs and finance income

	2007	2006
	€'000	€'000
Finance costs:		
Bank borrowings	**(395)**	(515)
Asset finance	**(280)**	(353)
Defined benefit pension plan - interest cost on plan liabilities	**(52)**	(53)
	(727)	(921)
Finance income:		
Bank deposit interest	**380**	202
Defined benefit pension plan - expected return on plan assets	**69**	55
	449	257
Finance costs (net)	**(278)**	(664)

9. Expenses

The following items have been included in arriving at operating profit:

	2007	2006
	€'000	€'000
Employee benefit expense	**16,256**	13,916
Material cost of inventories consumed (included within cost of sales)	**13,920**	14,074
Depreciation of property, plant and equipment		
- Included in cost of sales	**1,718**	2,050
- Included in selling and distribution costs	**2**	6
- Included in administration expenses	**284**	284
Services provided by the Group's Auditors (note 10)	**253**	198
Operating lease rentals		
- Property	**316**	309
- Plant and machinery	**156**	160
Inventory provision	**77**	119
Exceptional items [(1)]	**31**	-
Other selling and distribution and administrative expenses	**3,903**	4,094
	36,916	35,210

(1) fair value of warrants and redundancy payments are included in employee benefit expense

10. Services provided by the Group's Auditors

During the year the Group (including its UK subsidiaries) obtained the following services from the Group's Auditors at costs as detailed below:

	2007	2006
	€'000	€'000
Audit services - statutory audit	**131**	122
Tax services		
- Compliance services	**84**	49
- Advisory services	**10**	17
Other services	**28**	10
	253	198

Other services include payroll services and advisory services relating to the share placing which the Group carried out in May 2007 as detailed in note 27 on page 53 of the consolidated financial statements.

11. Employment information

	2007	2006
Employment costs	**€'000**	€'000
Wages and salaries	**12,737**	12,457
Social welfare costs	**1,180**	1,197
Other pension costs net	**81**	260
Fair valuation of warrants (note 30)	**2,258**	-
Employee benefit expense	**16,256**	13,914

Average number of employees	**2007**	2006
PAC Digimedia	**306**	322
PAC Telemedia	**3**	-
Centre	**5**	11
Average number of employees for the year	**314**	333

12. Foreign currency

The income statement and cash flows of the Group's operations are translated into euro based on the average exchange rate for the year. The balance sheets are translated using the year-end exchange rate.

	2007	2006
Average rate		
Sterling	**0.6846**	0.6818
US dollar [(1)]	**1.4541**	-
Year end rate		
Sterling	**0.7334**	0.6735
US dollar	**1.4721**	-

(1) average rate for the period from the date of acquisition of Cellular Centre on 21 December 2007 to 31 December 2007

13. Income tax expense

	2007	2006
	€'000	€'000
Current tax	**(43)**	3
Adjustments in respect of previous years[(1)]	**538**	(135)
	495	(132)
Deferred tax		
Temporary differences	**24**	(63)
Adjustments in respect of previous years[(1)]	**(66)**	231
	(42)	168
Taxation	**453**	36

Relationship between tax expense and accounting profit	**2007**	2006
	€'000	€'000
(Loss)/profit on ordinary activities before tax	**(2,654)**	103
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in Ireland of 12.5% (2006: 12.5%)	**332**	(13)
Effects of:		
Differences in effective tax rates on overseas earnings and interest income	**(50)**	(18)
Other items (mainly expenses not deductible for tax purposes and non taxable income)	**(109)**	(29)
Loss carried forward for which no deferred tax asset is recognised	**(192)**	-
Adjustments in respect of previous years	**472**	96
Current tax credit for the year	**453**	36

(1) a review of prior year current and deferred tax provisions was performed during the year, and as a consequence a number of these were released to the income statement, as they were no longer required

14. Directors' remuneration

Year ended 31 December 2007	Salary €'000	Fees €'000	Pension contributions €'000	Termination payment €'000	Other benefits €'000	Total €'000
Executive Directors						
A Jordan(1)	**101**	**-**	**7**	**438**	**19**	**565**
P E Lynch(2)	**146**	**-**	**-**	**-**	**-**	**146**
	247	**-**	**7**	**438**	**19**	**711**
Non-executive Directors						
M Delany(3)	**-**	**6**	**-**	**-**	**-**	**6**
A McGuckian(3)	**-**	**7**	**-**	**-**	**-**	**7**
R McLoughlin(3)	**-**	**7**	**-**	**-**	**-**	**7**
D O'Brien(3)	**-**	**6**	**-**	**-**	**-**	**6**
D O'Donohoe(4)	**-**	**9**	**-**	**-**	**-**	**9**
J Doris(5)	**-**	**16**	**-**	**-**	**-**	**16**
A Keogh(6)	**-**	**1**	**-**	**-**	**-**	**1**
	-	**52**	**-**	**-**	**-**	**52**
	247	**52**	**7**	**438**	**19**	**763**

Year ended 31 December 2006	Salary €'000	Fees €'000	Pension contributions €'000	Termination payment €'000	Other benefits €'000	Total €'000
Executive Directors						
A Jordan	220	-	21	-	28	269
	220	-	21	-	28	269
Non-executive Directors						
M Delany	-	15	-		-	15
A McGuckian	-	20	-	-	-	20
R McLoughlin	-	20	-	-	-	20
D O'Brien	-	15	-	-	-	15
D O'Donohoe	-	25	-	-	-	25
	-	95	-	-	-	95
	220	95	21	-	28	364

(1) Mr A Jordan resigned as a Director on 15 May 2007, included within other benefits is an amount of €0.012 million paid to him for consulting fees following his cessation of employment
(2) Mr P E Lynch was appointed as Executive Chairman on 15 May 2007
(3) Mr M Delany, Mr A McGuckian, Mr R McLoughlin and Mr D O' Brien resigned as Non-executive Directors on 15 May 2007
(4) Mr D O'Donohoe resigned as Non-executive Chairman on 15 May 2007
(5) Mr J Doris was appointed as Non-executive Director on 15 May 2007
(6) Ms A Keogh was appointed as Non-executive Director on 17 December 2007

Details of Directors' interests in shares, share options and warrants are set out on page 13.

15. (Loss)/earnings per share

Basic earnings per share is calculated by dividing the (loss)/earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of shares in issue to assume conversion of all potential dilutive ordinary shares. The Group has one category of potentially dilutive ordinary shares: warrants. The calculation is performed for the warrants to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the Group's shares based on the monetary value of the subscription rights attached to outstanding warrants. The weighted average number of ordinary shares is compared with the number of shares that would have been issued assuming the exercise of warrants to give the number of shares deemed to be issued at nil consideration.

The basic loss per share and the diluted loss per share are the same, as the effect of the outstanding warrants is anti-dilutive.

Reconciliations of the earnings and the weighted average number of shares used in the calculations are set out below. The basic and diluted earnings per share as disclosed in the 2006 annual report have been adjusted to take account of the one for five share consolidation approved by the shareholders at the extraordinary general meeting on 25 July 2007.

(Loss)/earnings	**2007**	2006
	€'000	€'000
(Loss)/profit for the year	**(2,170)**	139
Exceptional costs	**3,423**	-
Print closure related costs	**-**	334
Adjusted profit for the year	**1,253**	473

Basic and diluted (loss)/earnings per share	**2007**	2006
	cent	cent
(Loss)/earnings per share for the year	**(12.89)**	1.23
Print - closure related costs	**-**	2.96
Exceptional costs	**20.34**	-
Adjusted earnings per share for the year	**7.45**	4.19

Weighted average number of shares ('000)	**16,831**	11,288

16. Property, plant and equipment

Year ended 31 December 2007	**Land and buildings €'000**	**Fixtures, fittings, plant and equipment €'000**	**Vehicles and office equipment €'000**	**Total €'000**
Cost				
At 1 January 2007	**2,870**	**26,465**	**2,924**	**32,259**
Additions at cost	**19**	**1,285**	**233**	**1,537**
Acquisition of subsidiary (note 33)	**84**	**306**	**-**	**390**
Disposals	**-**	**(4,766)**	**(183)**	**(4,949)**
Currency adjustments	**(237)**	**(1,935)**	**(232)**	**(2,404)**
At 31 December 2007	**2,736**	**21,355**	**2,742**	**26,833**
Accumulated depreciation				
At 1 January 2007	**833**	**17,482**	**2,237**	**20,552**
Charge for the year	**82**	**1,620**	**302**	**2,004**
Disposals	**-**	**(4,639)**	**(170)**	**(4,809)**
Currency adjustments	**(74)**	**(1,237)**	**(181)**	**(1,492)**
At 31 December 2007	**841**	**13,226**	**2,188**	**16,255**
Net book amount at 31 December 2007	**1,895**	**8,129**	**554**	**10,578**

Year ended 31 December 2006	Land and buildings €'000	Fixtures, fittings, plant and equipment €'000	Vehicles and office equipment €'000	Total €'000
Cost				
At 1 January 2006	2,818	25,256	2,769	30,843
Additions at cost	3	1,548	295	1,846
Disposals	-	(799)	(188)	(987)
Currency adjustments	49	460	48	557
At 31 December 2006	2,870	26,465	2,924	32,259
Accumulated depreciation				
At 1 January 2006	746	15,995	2,059	18,800
Charge for the year	73	1,967	300	2,340
Disposals	-	(776)	(157)	(933)
Currency adjustments	14	296	35	345
At 31 December 2006	833	17,482	2,237	20,552
Net book amount at 31 December 2006	2,037	8,983	687	11,707

The net book amount and the depreciation charge during the year in respect of assets (plant and equipment) purchased under asset finance agreements, are as follows:

	2007 €'000	2006 €'000
Cost	**7,666**	8,171
Accumulated depreciation	**(2,574)**	(1,647)
Net book amount	**5,092**	6,524
Depreciation charge for the year	**1,129**	846

17. Intangible Assets

Goodwill	**2007** **€'000**	2006 €'000
At 1 January	**-**	-
Additions relating to current year acquisitions (note 33)	**3,149**	-
At 31 December 2007	**3,149**	-

Goodwill arises on the acquisition of a majority stake in Cellular Center, LLC and is attributable to the anticipated future profitability of Cellular Center and certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include Cellular Center's management team and key vendor relationships.

Goodwill acquired through business combinations has been allocated to cash-generating units for the purpose of impairment testing. Impairment is determined by assessing the recoverable amount, being higher of the fair value less costs to sell or the value in use of the cash-generating unit to which the goodwill relates.

For the year ending 31 December 2007, management assessed the fair value less costs to sell of the cash generating units to which goodwill related and determined that no impairment arose. Management based the fair value less costs to sell on the price paid for the interest acquired in Cellular Center on 21 December 2007 as this transaction was on an arms length basis between knowledgeable and willing parties.

18. Inventories

	2007 **€'000**	2006 €'000
Materials	**1,140**	811
Work in progress	**560**	347
Finished goods	**649**	43
	2,349	1,201

The Group consumed €13.920 million (2006: €14.074 million) of inventories during this year. This expense has been recognised in the income statement within cost of sales.

19. Trade and other receivables - current

	2007	2006
	€'000	€'000
Trade receivables	**7,827**	7,503
Less: provision for impairment of trade receivables	**(19)**	(189)
	7,808	7,314
Prepayments and accrued income	**420**	387
Value added tax	**358**	214
	8,586	7,915

The fair value of trade and other receivables approximates book value.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2007	2006
Currency	**€'000**	€'000
Sterling	**8,052**	7,898
US dollar	**504**	-
Other currencies	**30**	17
	8,586	7,915

Movements on the Group provision for impairment of trade receivables are as follows:

	2007	2006
	€'000	€'000
At 1 January	**(189)**	(155)
Receivables written off during the year as uncollectible	**181**	27
Provision for receivables impairment	**(16)**	(57)
Exchange movement	**5**	(4)
	(19)	(189)

Individually impaired receivables are assessed to be so based on age profile, and in some cases, on a dispute as to the customer's contractual obligation to pay. Impaired receivables were aged up to 3 months overdue.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any security as collateral.

As of 31 December 2007, trade receivables of €0.406 million (2006: €0.743 million) were past due but not impaired. These relate to a number of independent customers from whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	2007	2006
	€'000	€'000
Up to 3 months	**406**	743

20. Financial assets at fair value through profit or loss

	2007	2006
	€'000	€'000
Equity traded derivatives	**261**	-

The Group has a number of equity traded derivatives over shares in a company listed on AIM. The Group will take such positions in order to capture a stake in a particular entity. In respect of the equity traded derivatives position at 31 December 2007, the Group has €3.431 million in restricted cash held in a collateral account against these positions.

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the cash flow statement (note 31). Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other gains-net' in the income statement (note 7).

21. Cash and cash equivalents

	2007	2006
	€'000	€'000
Cash at bank and in hand	**2,916**	653
Short-term deposits	**6,844**	5,008
Restricted cash	**3,431**	-
	13,191	5,661

Short-term deposits represent funds held on deposit with banks with a maturity of less than one month. The average maturity of these deposits was 24 days (2006: 26 days). The effective interest rate on the deposits was 4.8% (2006: 4.8%).

Restricted cash represents cash which has been pledged as collateral for equity traded derivatives. The interest earned on this deposit, after deduction of any taxation payable, is payable to the Group. This balance was bearing interest at year end at a rate of 3.84%.

22. Trade and other payables - current

	2007	2006
	€'000	€'000
Trade payables	**5,320**	4,383
Payroll tax and social security	**354**	348
Value added tax	**526**	570
Accrued expenses and other payables	**1,958**	1,743
	8,158	7,044

The fair value of trade and other payables approximates book value.

23. Borrowings

Current	**2007**	2006
	€'000	€'000
Term debt	**1,253**	1,305
Cash flow finance	**-**	970
Asset finance	**1,328**	1,421
	2,581	3,696

Non-current	**2007**	2006
	€'000	€'000
Term debt	**1,087**	2,529
Asset finance	**1,718**	3,262
	2,805	5,791
Total borrowings	**5,386**	9,487

All borrowings are denominated in sterling and are used to finance the activities of the Group's UK-based businesses. Term debt is repayable by instalments over the period of the debt and is secured on the property and other assets of the business being financed by the debt. Cash flow finance facilities were replaced by ordinary overdraft facilities in 2007. Term debt and cash flow finance borrowings are subject to a variable rate of interest which is based on prevailing UK bank rates. Asset finance is bank borrowings used to finance the purchase of items of plant and equipment. Asset finance obligations may bear a fixed or a floating rate of interest and are secured against the value of the asset being acquired.

The maturity of borrowings is as follows:

				2007				2006
	No later than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**	No later than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	€'000	**€'000**	**€'000**	**€'000**	€'000	€'000	€'000	€'000
Bank borrowings - floating rate	**1,253**	**1,087**	**-**	**2,340**	2,275	1,369	1,160	4,804
Asset finance - floating rate	**698**	**547**	**303**	**1,548**	713	760	925	2,398
Asset finance - fixed rate	**630**	**493**	**375**	**1,498**	708	698	879	2,285
	2,581	**2,127**	**678**	**5,386**	3,696	2,827	2,964	9,487

The effective interest rates at the balance sheet date were as follows:

	2007	2006
Bank borrowings - floating rate	**7.5%**	6.9%
Asset finance - floating rate	**7.5%**	6.9%
Asset finance - fixed rate	**7.4%**	7.3%

The fair values of borrowings are determined based on cash flows discounted using the effective interest rate of the borrowing. The carrying amount of all borrowings is not materially different to the fair value.

The Group has the following undrawn committed borrowing facilities at the balance sheet date:

	2007	2006
	€'000	€'000
Floating rate - due for renewal within one year	**1,704**	2,700

Asset finance liabilities - minimum lease payments

	2007	2006
	€'000	€'000
No later than 1 year	**1,496**	1,653
Later than 1 year and no later than 5 years	**1,823**	3,734
	3,319	5,387
Future finance charges on asset finance obligations	**(273)**	(704)
Present value of asset finance obligations	**3,046**	4,683

The present value of asset finance liabilities is as follows:

	2007	2006
	€'000	€'000
No later than 1 year	**1,328**	1,421
Later than 1 year and no later than 5 years	**1,718**	3,262
	3,046	4,683

24. Provisions for other liabilities and charges

	Other
	€'000
At 1 January 2007	**-**
Charged/(credited) to the income statement:	**-**
Acquisition (note 33)	**69**
At 31 December 2007	**69**

Analysis of total provisions for other liabilities and charges:	**2007**	2006
	€'000	€'000
Current	**69**	-
Non-current	**-**	-
	69	-

Other provisions consist primarily of probable obligations for Cellular Center, LLC, to repay Verizon Wireless for financial support received in respect of customer mobile phone activations and property leases if certain conditions are not met.

25. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method. The movement on the deferred tax liability is as shown below:

	2007	2006
	€'000	€'000
At 1 January	**563**	720
Income statement charge/(credit)	**42**	(168)
Exchange difference (charged to equity)	**(4)**	11
At 31 December	**601**	563

The deferred tax provision is principally attributable to accelerated tax depreciation.

The Group did not recognise deferred income tax assets of €0.246 million (2006: €0.145 million) in respect of losses amounting to €1.972 million (2006: €1.161 million) that can be carried forward against future taxable income.

26. Retirement benefit obligations

The Group operates a number of defined contribution schemes and a defined benefit scheme which are funded and are independent of its assets.

Defined contribution plans
Pension costs for defined contribution plans are as follows:

	2007	2006
	€'000	€'000
Expense for defined contribution plans	**187**	228

Defined benefit plan
The Group operates a defined benefit plan in Ireland. The disclosures relating to the defined benefit plan have been based on a valuation carried out by independent and qualified actuaries to take account of the requirements of IAS 19 'Employee Benefits' in order to assess the liabilities of the scheme at 31 December 2007. The valuation has been completed using the Projected Unit Credit Method.

Changes in the defined benefit scheme during the year
During the year there was a corporate restructuring and the last remaining active service member of the plan left the Company. This has resulted in a curtailment gain. In accordance with the terms of the wind-up rules of the trust deed of the scheme, it is expected that all assets of the plan will be used to provide member benefits and therefore any surplus in the plan would not be recoverable by the Group. Accordingly, the surplus of assets at the year end has not been recognised.

The principal assumptions used by the actuaries to evaluate the plan liabilities were:

	2007	2006
	%	%
Inflation assumption	**2.25**	2.25
Rate of increase in pensionable salaries	**n/a**	4.00
Rate of increase in pensions in payment and deferred pensions	**-**	-
Discount rate	**5.50**	4.70
Expected return on plan assets	**7.02**	6.71

The expected return on plan assets assumption was determined by considering the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio of assets is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the current asset allocation to determine the expected long-term rate of return on assets assumption for the portfolio.

The weighted average life expectancies which were used to determine the benefit obligation are as follows

	2007	2006
Member aged 65 (current life expectancy)	**years**	years
- male	**21.8**	21.0
- female	**24.8**	24.0
Member aged 45 (life expectancy at 65)		
- male	**21.8**	21.5
- female	**24.8**	24.6

	2007	2006
	€'000	€'000
Present value of plan obligations	**(889)**	(1,155)
Fair value of plan assets	**974**	1,016
Restriction of surplus	**(85)**	-
Net liability recognised in the balance sheet	-	(139)

The composition of plan assets is as follows:

	2007	2006
	%	%
Equities	**79.2**	77.6
Bonds	**15.8**	12.3
Real estate	**2.3**	4.6
Other	**2.7**	5.5
	100.0	100.0

The movement in the fair value of plan assets during the year is as follows:

	2007	2006
	€'000	€'000
Fair value of plan assets at 1 January	**1,016**	890
Expected return on plan assets	**69**	55
Actuarial (loss)/gain	**(132)**	15
Employer contributions	**17**	45
Employee contributions	**4**	11
Fair value of plan assets at 31 December	**974**	1,016

The movement in plan obligations during the year is as follows:

	2007	2006
	€'000	€'000
Present value of plan obligations at 1 January	**1,155**	1,221
Current service cost	**15**	34
Interest cost	**52**	53
Actuarial gain	**(214)**	(164)
Curtailment gain recognised	**(123)**	-
Employee contributions	**4**	11
Plan obligations at 31 December	**889**	1,155

The amounts recognised in the income statement are as follows:

	2007	2006
	€'000	€'000
Current service cost	**(15)**	(34)
Curtailment gain recognised	**123**	-
Interest cost	**(52)**	(53)
Expected return on plan assets	**69**	55
Total expense recognised in the income statement	**125**	(32)

The current service cost has been included in administration expenses in the income statement. Interest cost and expected return on plan assets have been included within finance costs and finance income, respectively. The Group currently estimates that it will contribute €Nil (2007: €45,000) to the plan during 2008 as the last active member left active membership during 2007.

The actual return on plan assets was (€63,000) (2006: €70,000).

The amounts recognised in the statement of recognised income and expense (SORIE) are as follows:

	2007	2006
	€'000	€'000
Difference between the expected and actual return on plan assets	**(132)**	15
Experience gain on plan liabilities	**15**	21
Gain due to changes in assumptions	**199**	143
Restriction of surplus	**(85)**	-
Actuarial (loss)/gain recognised in the SORIE	**(3)**	179

Following transition to IFRS on 1 January 2004, the cumulative actuarial gain recognised in the SORIE is:

	€'000
Recognised in 2004 financial year	36
Recognised in 2005 financial year	(132)
Recognised in 2006 financial year	179
Recognised in 2007 financial year	**(3)**
	80

Summary of plan assets and liabilities

	2007	2006	2005	2004
	€'000	€'000	€'000	€'000
Present value of defined benefit obligation	**(889)**	(1,155)	(1,221)	(925)
Fair value of plan assets	**974**	1,016	890	726
Restriction of surplus	**(85)**	-	-	-
Deficit	**-**	(139)	(331)	(199)
Experience adjustments on plan assets	**(132)**	15	84	14
Experience adjustments on plan liabilities	**15**	21	2	30

In accordance with the transitional provisions for IAS 19, as amended in December 2004, the disclosures above are determined prospectively from the date of transition to IFRS and therefore cover the four year period from 1 January 2004 to 31 December 2007.

27. Share capital and premium

	Number of shares 000's	**Ordinary Shares €'000**	**Share Premium €'000**	**Total €'000**
At 1 January 2007(1)	11,288	5,644	5,950	11,594
Proceeds from share placings(2)	**11,393**	**5,697**	**11,420**	**17,117**
Costs associated with shares placed during year	**-**	**-**	**(926)**	**(926)**
At 31 December 2007	**22,681**	**11,341**	**16,444**	**27,785**

(1) the number of shares at 1 January 2007 has been adjusted to take account of the one for five share consolidation as if it had taken place at this date
(2) the number of shares from the share placings have been adjusted to take account of the one for five share consolidation as if it had taken place on the date of each placing

The total authorised number of ordinary shares is 100,000,000 (2006: 80,000,000) with a par value of €0.50 (2006: €0.10) per share. The authorised share capital was increased by special resolutions at the Company's Extraordinary General Meetings on 9 May 2007 and 25 July 2007 respectively.

On 15 May 2007 the Group placed 14,109,770 (2,821,954 following the one for five share consolidation) new ordinary shares at a price of €0.15 per share raising €2.12 million before expenses (€1.67 million net of expenses). On 25 July 2007 the Group placed an additional 42,857,143 (8,571,429 following the one for five share consolidation) new ordinary shares at €0.35 per share raising €15 million before expenses (€14.52 million net of expenses). The proceeds of these share placements were primarily used to fund the Group's investments.

At the Extraordinary General Meeting of the Company held on 25 July 2007, shareholders approved the consolidation of existing ordinary shares on the basis of one new ordinary share of €0.50 for every five existing ordinary shares of €0.10.

28. Other reserves

	Share based payments reserve €'000	Currency translation reserve €'000	Other reserves €'000	Total €'000
At 1 January 2006	-	312	-	312
Exchange movement	-	130	-	130
At 31 December 2006	-	442	-	442
Fair valuation of warrants	**2,258**	**-**	**-**	**2,258**
Put liability	**-**	**-**	**(1,051)**	**(1,051)**
Exchange movement		**(1,307)**	**-**	**(1,307)**
At 31 December 2007	**2,258**	**(865)**	**(1,051)**	**342**

Share based payments reserve
This reserve comprises amounts credited to reserves in connection with warrants issued.

Foreign currency translation reserve
The translation reserve comprises all foreign exchange differences, arising from the translation of the net assets of the Group's non-euro functional currency operations, including the translation of the results of such operations from the average exchange rate for the year to the exchange rate at the balance sheet date.

Other reserves
The other reserve is in respect of the fair value of the liability arising if the put option on the shares held by the minority interest in Cellular Center, LLC was exercised after 20 December 2010, in accordance with the requirements of IAS32.

29. Retained earnings

	€'000
At 1 January 2006	(3,973)
Profit for the year	139
Actuarial gain on defined benefit pension plans	179
At 31 December 2006	(3,655)
Loss for the year	**(2,170)**
Actuarial loss on defined benefit pension plan	**(3)**
At 31 December 2007	**(5,828)**

30. Warrants

On 15 May 2007, the Group issued 25,000,000 (2006: Nil) Series A warrants and 25,000,000 (2006: Nil) Series B warrants, giving the holder the right to subscribe for ordinary shares in the Group.

Following the one for five share consolidation completed by the Group in July 2007, the number of warrants was reduced pro-rata to 5,000,000 Series A warrants and 5,000,000 Series B warrants.

The holder of the series A warrants may subscribe for one ordinary share in the Group at a price of €0.75 (€0.15 prior to the one for five consolidation). These warrants may be exercised at any time before 15 May 2012.

The Series B warrants become exercisable at the holders discretion if, within, the exercise period, the Prime Active Capital plc share price as quoted on the IEX exceeds or equals €1.75 (€0.35 prior to the one for five consolidation) for 30 trading days of any preceding 180 trading days. The term to expiry of these warrants is also five years from date of issue.

The fair value of the Series A warrants at 31 December 2007 is €1.750 million. As these warrants vest immediately from date of grant, this charge has been incurred in total in 2007.

The total fair value of the Series B warrants, which cannot be exercised until the market performance condition above is satisfied, is being expensed over the expected vesting period of these warrants as follows:
2007: €0.508 million, 2008: €0.813 million and 2009: €0.304 million.

Assumptions

The fair value of the Series A and Series B warrants granted during the year has been calculated using the Monte Carlo simulation model with the following assumptions:

Share price	**€0.14**
Exercise price	**€0.15**
Expected dividend yield	**0%**
Expected stock price volatility	**60%**
Risk-free interest rate	**4.30%**
Expected life of warrants	**5 years**
Minimum gain for voluntary early exercise	**100% of exercise**
Probability of voluntary early exercise at minimum gain	**50%**

As the warrants are priced in euro, the risk free interest rate is based on the 5 year Eurozone zero coupon gilts yield curve, taken from Bloomberg.

The expected stock price volatility has been determined based on the historical average of monthly and weekly volatility of Prime Active Capital's stock price over a five year period up to the date the options were granted.

31. Notes to the consolidated cash flow statement.

(a) Cash generated from operations

	2007	2006
	€'000	€'000
(Loss)/profit before taxation	(2,654)	103
Adjustments for:		
Net finance costs	278	664
Depreciation	2,004	2,340
Exceptional costs-warrants	2,258	-
Movement in post employment obligations	17	2
Share of loss from joint venture	308	-
Loss on disposal of property, plant and equipment	4	-
(Increase)/decrease in inventories	(827)	441
(Increase)/decrease in trade and other receivables	(758)	337
Decrease/(increase) in trade and other payables	509	(493)
Other financial assets at fair value through profit or loss	(261)	-
Curtailment gain on defined benefit pension scheme	(125)	-
Cash generated from operations	753	3,394

(b) Reconciliation of net decrease in cash and bank overdrafts to movement in net debt

	2007	2006
	€'000	€'000
Increase/(decrease) in cash and cash equivalents	8,267	(1,466)
Financing		
New borrowings	-	-
Repayment of borrowings	2,220	1,855
Lease repayments	1,345	1,475
	11,832	1,864
New asset finance obligations	-	(945)
Effect of foreign exchange rate changes	(201)	(96)
Movement in net debt in the year	11,631	823
Net (debt) at beginning of year	(3,826)	(4,649)
Net cash/(debt) at end of year	7,805	(3,826)

(c) Analysis of net cash/(debt)

	2007	2006
	€'000	€'000
Cash and cash equivalents	13,191	5,661
Cash flow finance	-	(970)
Term debt and other loans	(2,340)	(3,834)
Asset finance obligations	(3,046)	(4,683)
	7,805	(3,826)

(d) Major non-cash transactions

There were no major non-cash transactions within the Group during 2007 apart from exceptional costs for warrants of €2.258 million. In 2006 the Group entered into asset finance agreements, in respect of items of plant and equipment, with a total capital value at the inception of the finance agreements of €0.945 million.

32. Commitments

(a) Capital commitments not provided for

	2007 €'000	2006 €'000
Contractual commitments for the acquisition of plant and equipment	**1,372**	-

b) Operating lease commitments - minimum lease payments

			2007			2006
	Property	**Other**	**Total**	Property	Other	Total
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
No later than one year	**616**	**39**	**655**	318	60	378
Later than one year and no later than five years	**1,346**	**98**	**1,444**	776	6	782
Later than five years	**709**	**4**	**713**	942	-	942
	2,671	**141**	**2,812**	2,036	66	2,102

The Group leases various offices, retail outlets and warehouses under non-cancellable operating lease agreements. The lease terms are between one and twenty five years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases various plant and machinery under cancellable operating lease agreements. The Group will incur a charge for the termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed in note 9 on page 41 of the consolidated financial statements.

33. Business combinations

On 30 October 2007, PAC Telemedia, LLC, a wholly owned subsidiary of Prime Active Capital plc, acquired a 49% interest in Cellular Center, LLC. Cellular Center is a Georgia based chain of mobile phone shops and a premium agent of Verizon Wireless operating primarily in Atlanta and the surrounding regions. Cellular Center was formed on 29 December 2006 and commenced business operations in May 2007.

On 21 December 2007, PAC Telemedia increased its interest in Cellular Center to 80%. This followed a series of transactions whereby Cellular Center redeemed 162.4113 units in itself from RWH Enterprises, LLC (RWH) and, immediately following this, PAC Telemedia acquired a further 180.0887 units in Cellular Center from RWH. At the time of the subsequent investment, PAC Telemedia entered into an agreement with RWH which included, inter alia, a right for PAC Telemedia to purchase, and a right for RWH to sell in either case, all or any portion of the units then owned by RWH at a price reflecting the fair value of the such units. These rights are exercisable at any time after 20 December 2010. In accordance with IAS 32, there is a requirement to recognise a liability for the put option based on the present value of the expected redemption amount. At 31 December 2007, this liability was measured at €1.051 million and is disclosed as a non-current liability.

The acquired business contributed revenues of €0.144 million and a net loss after minority interest of €0.125 million to the Group for the period 21 December to 31 December 2007. Prior to 21 December 2007, the Group held a 49% share in Cellular Center and the Group equity accounted for this investment as a joint venture.

If the acquisition had occurred on 1 January 2007, Group revenue would have been €36.143 million, and loss before minority interests would have been €3.067 million. These amounts have been calculated using the Group's accounting policies and by adjusting the subsidiary to reflect additional depreciation and amortisation that would have been charged assuming fair value adjustments to net assets had applied from 1 January 2007, together with consequential tax effects.

Details of the net assets acquired and goodwill are as follows:

Purchase consideration	**€'000**
Cash paid	**4,627**
Direct costs related to acquisition	**202**
Total purchase consideration	**4,829**
Fair value of net identifiable assets acquired	**(1,371)**
Share of loss arising between step acquisition	**(308)**
Movement in fair value between step acquisition	**(1)**
Goodwill (note 17)	**3,149**

The above figures are preliminary. Fair values have been determined provisionally as permitted by IFRS 3 due to the start up nature of the acquired business. The goodwill is attributable to anticipated future profitability of Cellular Center and certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include Cellular Center's management team and key vendor relationships.

The assets and liabilities as of 21 December 2007 arising from the acquisition are as follows:

	Acquirees carrying amount	Fair value[2]
	€'000	€'000
Cash and cash equivalents	1,422	1,422
Property, plant and equipment (note 16)[1]	400	400
Goodwill	654	-
Inventories	553	553
Receivables	516	516
Payables	(1,334)	(1,334)
Other non current assets/liabilities	157	157
Net assets	2,368	1,714
Minority interest (20%)		(343)
Net assets acquired		**1,371**

(1) the property, plant and equipment additions from subsidiary at note 16 total €0.390 million, the difference relates to the exchange movement between 21 December 2007 and 31 December 2007
(2) fair values have been assessed and it has been determined that there is no significant difference between fair values and book values

	€'000
Purchase consideration settled in cash	4,829
Cash and cash equivalents in subsidiary acquired	(1,422)
Exchange movement	16
Cash outflow on acquisition	**3,423**

There were no acquisitions in the year ended 31 December 2006.

34. Events after the balance sheet date

On 14 May 2008, the Group announced that it acquired a total of 48,403,997 ordinary shares in Media Square plc, an AIM listed marketing communications company. At 31 December 2007, the Group held a number of equity traded derivates over these shares as set out in note 20 on page 47 of the consolidated financial statements. The ordinary shares acquired represent 15% of Media Square's issued share capital. The average price paid for the shares was £0.0833 per share (£4.032 million) which were trading at £0.0625 per share (£3.025 million) on 19 June 2008.

35. Share option scheme

The Group's share option scheme provides for the granting of options to full time directors and employees of the Group in order to encourage identification with shareholders' interests. Employees of the Group may be granted options at an option price no less than the middle market price of the Company shares on the day prior to the date an employee is invited to accept an option.

The number of options granted under the scheme cannot be more than 10% of the issued share capital of the Company in any ten-year period. No more than 3% of the share capital may be the subject of options in the first year after adoption of the scheme and no more than 4% of the share capital may be the subject of options in the three-year period after such date. An option may not be exercised unless the earnings per share of the Group have increased in the three-year period prior to the date of exercise of the option by an amount equal to the increase in the consumer price index plus 5% compound per annum

There were no options in issue at 31 December 2007, as the options in issue at 31 December 2006 all lapsed as a result of the corporate reorganisation.

At 31 December 2006 there were 700,000 options in issue with 150,000 options at an option price of €0.48 per share, 235,000 options at an option price of €0.12 per share and 315,000 options at an option price of £0.095 per share. All of these options are stated before the effect of the one for five share consolidation.

36. Subsidiary undertakings

The principal subsidiary undertakings are:

Name of subsidiary	% holding	Registered office
Incorporated and operating in Ireland		
Prime Active Capital (Services) Limited (formerly Creedeck (Services) Limited)	100%	2A Sandymount Green Sandymount Dublin 4
Incorporated and operating in United Kingdom		
PAC Digimedia Limited (formerly Oakhill Group Holdings (UK) Limited)	100%	Graphic House Telford Way Severalls Park Colchester CO4 4QP
PCC Services Limited (formerly Droyhurst Limited)	100%	Graphic House Telford Way Severalls Park Colchester CO4 4QP
The Plastic Card Company Limited	100%	2/4 Seddon Place Stanley Industrial Estate Skelmersdale Lancashire WN8 8EB
Bell & Bain Limited	100%	303 Burnfield Road Thornliebank Glasgow G46 7UQ
Top Copy Image Centres Limited	100%	1 Angel Court 33 Burley Road Leeds LS3 1JT
Incorporated and operating in the United States of America		
PAC Telemedia, LLC	100%	C/O The Corporation Service Company 2711 Centerville Road Wilmington New Castle Delaware 19808 USA
Cellular Center, LLC	80%	215 St. Andrews St. Simons Island Georgia 31522 USA

Pursuant to Section 16 of the Companies (Amendment) Act, 1986 a full list of subsidiaries will be annexed to the Company's Annual Return to be filed in the Companies Registration Office in Ireland.

37. Related party transactions

Key management personnel are the Board of Directors. Details of the remuneration of Directors are disclosed in note 14 on page 43 of the consolidated financial statements. In addition to Directors remuneration, a charge of €2.258 million has been recognised in the income statement for warrants issued to Mr Peter E. Lynch.

Transactions between Group companies have been eliminated in the consolidated financial statements.

During 2007, Group companies recognised revenue of €1.738 million (2006: €1.603 million) from the supply of products to an unrelated third party company which is a supplier of these and other products and services to Digicel, a company which is controlled by Mr Denis O'Brien. The consolidated financial statements include trade receivables of €0.528 million (2006: €0.518 million) relating to these sales. Normal commercial trading terms apply to these transactions and trade receivable balances are settled by cash payment. Mr O'Brien resigned as a Non-executive Director on 15 May 2007.

Mr Patrick Kearns resigned as Company Secretary of Prime Active Capital plc on 15 May 2007.
On cessation of employment, he received €0.550 million as compensation for loss of office from Prime Active Capital (Services) Limited, a subsidiary of Prime Active Capital plc. Mr Kearns was also granted fixed assets with a net book value of €0.006 million by Prime Active Capital (Services) Limited at this time. Consideration of €0.002 million was received from Mr Kearns in respect of these assets. Consulting fees of €0.023 million were paid to Mr Kearns following his departure.

Mr Alan Jordan resigned as Director of Prime Active Capital plc on 15 May 2007. On cessation of employment, he received €0.445 million as compensation for loss of office from PAC Digimedia Limited, a subsidiary of Prime Active Capital plc. Consulting fees of €0.012 million were paid to Mr Jordan following his departure.

38. Approval of financial statements

These financial statements were approved by the Board of Directors on 19 June 2008.

COMPANY BALANCE SHEET
AT 31 DECEMBER 2007

	Notes	**2007 €'000**	2006 €'000
Fixed assets			
Investments in subsidiary undertakings	1	**4,829**	-
Current assets			
Trade and other receivables	2, 3	**9,522**	7,303
Cash and cash equivalents	4	**8,193**	-
		17,715	7,303
Current liabilities			
Trade and other payables	5	**95**	-
Total assets less current liabilities		**22,449**	7,303
Capital and Reserves			
Called-up equity share capital	6	**11,341**	5,644
Share premium	7	**16,444**	5,950
Other reserves	7	**2,258**	-
Profit and loss account	7	**(7,594)**	(4,291)
Shareholders' funds		**22,449**	7,303

P E Lynch Executive Chairman
J Doris Director

Basis of accounting
The financial statements are prepared under the historical cost convention. The Company Balance Sheet together with the accompanying notes has been prepared in accordance with accounting standards generally accepted in Ireland and the United Kingdom and with Irish Statute comprising the Companies Acts, 1963 to 2006. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

Investments
Investments in subsidiary undertakings are initially recognised at the purchase cost of the investment. The carrying value of investments is subsequently adjusted to take account of any impairment which has resulted in the recoverable amount of the investment being lower than the carrying value.

Foreign currencies
Transactions in foreign currencies during the year are translated to euro at the rate of exchange ruling at the date of the transaction. Assets and liabilities expressed in foreign currencies are translated to euro at the exchange rate ruling at the balance sheet date except where covered by a forward exchange agreement where the financial rate is used. Differences arising on translation are included in the results for the year.

Share based payments
Warrants
In accordance with FRS 20, the fair value of the warrants at grant date excluding the impact of non-market conditions is recognised as an expense in the income statement over the vesting period. A corresponding amount is recognised in shareholders' equity as the warrant scheme is designated as an equity-settled share based payment transaction. The fair value of each warrant granted during the year is determined using an option pricing model with assumptions appropriate to each award at the time of grant. A detailed description is outlined in note 30 on page 55 of the consolidated financial statements.

1. Investments

	2007	2006
	€'000	€'000
Investment in subsidiary undertakings at cost.	**4,829**	-

The principal subsidiary undertakings are set out in note 36 on page 60 of the consolidated financial statements.

2. Trade and other receivables

	2007	2006
	€'000	€'000
(Amounts falling due within one year)		
Amounts owed by subsidiary undertakings	**9,261**	7,303

3. Derivatives

At 31 December the Company held derivative equity instruments with fair values of €0.261 million (notional amount: nil)

4. Cash and cash equivalents

	2007	2006
	€'000	€'000
Cash at bank and in hand	**19**	-
Short-term deposits	**4,743**	-
Restricted cash	**3,431**	-
	8,193	-

Details of short-term deposits and restricted cash are presented in note 21 on page 48 of the consolidated financial statements.

5. Trade and other payables

	2007	2006
	€'000	€'000
(Amounts falling due within one year)		
Accruals	**95**	-

6. Called-up share capital

Details in respect of called-up share capital are presented in note 27 on page 53 of the consolidated financial statements.

7. Movement on reserves

			2007		2006
	Share premium	**Other Reserves**	**Profit and loss account**	Share premium	Profit and loss account
	€'000	**€'000**	**€'000**	€'000	€'000
At 1 January	**5,950**	**-**	**(4,291)**	5,950	(3,965)
Shares issued during the year	**10,494**	**-**	**-**	-	-
Fair valuation of warrants	**-**	**2,258**	**-**	-	-
Loss for the year	**-**	**-**	**(3,303)**	-	(326)
At 31 December	**16,444**	**2,258**	**(7,594)**	5,950	(4,291)

In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual profit and loss account to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's loss for the year determined in accordance with Irish GAAP is €3.303 million (2006: €0.326 million).

8. Approval of financial statements

These Company financial statements were approved by the Board of Directors on 19 June 2008.

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Registrar and transfer office

Computershare Investor Services (Ireland) Ltd
Heron House
Corrig Road
Sandyford Industrial Estate
Dublin 18

Auditors

PricewaterhouseCoopers
Chartered Accountants
One Spencer Dock
North Wall Quay
Dublin 1

Stockbrokers

Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin 4

Solicitors

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2.

	IFRS			
	2007	2006	2005	2004
	€'000	€'000	€'000	€'000
Revenue				
Continuing operations				
PAC Digimedia	**34,488**	35,977	32,847	33,995
PAC Telemedia	**144**	-	-	-
	34,632	35,977	32,847	33,995
Discontinued operations	**-**	-	-	4,711
	34,632	35,977	32,847	38,706
Operating profit				
Continuing operations				
PAC Digimedia	**2,575**	2,024	2,761	4,119
PAC Telemedia	**(158)**	-	-	-
	2,417	2,024	2,761	4,119
Centre costs including exceptional items	**(4,485)**	(1,257)	(1,394)	(1,665)
	(2,068)	767	1,367	2,454
Discontinued operations	**-**	-	-	128
Operating (loss)/profit	**(2,068)**	767	1,367	2,582
(Loss)/profit for the year	**(2,170)**	139	(6,873)	1,007
(Loss)/earnings per share	**(12.89)**	0.25	(12.18)	1.78
Adjusted earnings per share	**7.45**	0.84	1.03	2.85
Balance sheet				
Goodwill	**3,149**	-	-	7,231
Net assets (excluding goodwill and net cash/(debt)	**11,620**	12,207	12,582	8,538
Net cash/(debt)	**7,805**	(3,826)	(4,649)	(1,278)
Equity interests	**22,574**	8,381	7,933	14,491
Cash flow				
Cash generated from operations	**753**	3,394	2,307	4,287
Taxation paid	**(11)**	(17)	(91)	(368)
Net cash flow from operating activities	**742**	3,377	2,216	3,919
Net interest	**(294)**	(666)	(561)	(507)
Net capital expenditure (including leased assets)	**(1,383)**	(1,792)	(4,977)	(2,146)
Proceeds from issue of shares	**16,190**	-	-	-
Acquisition of subsidiary, net of cash acquired	**(3,423)**	-	-	1,591
Net cash flow	**11,832**	919	(3,322)	2,857